Annual Performance Report 2025

July 2025

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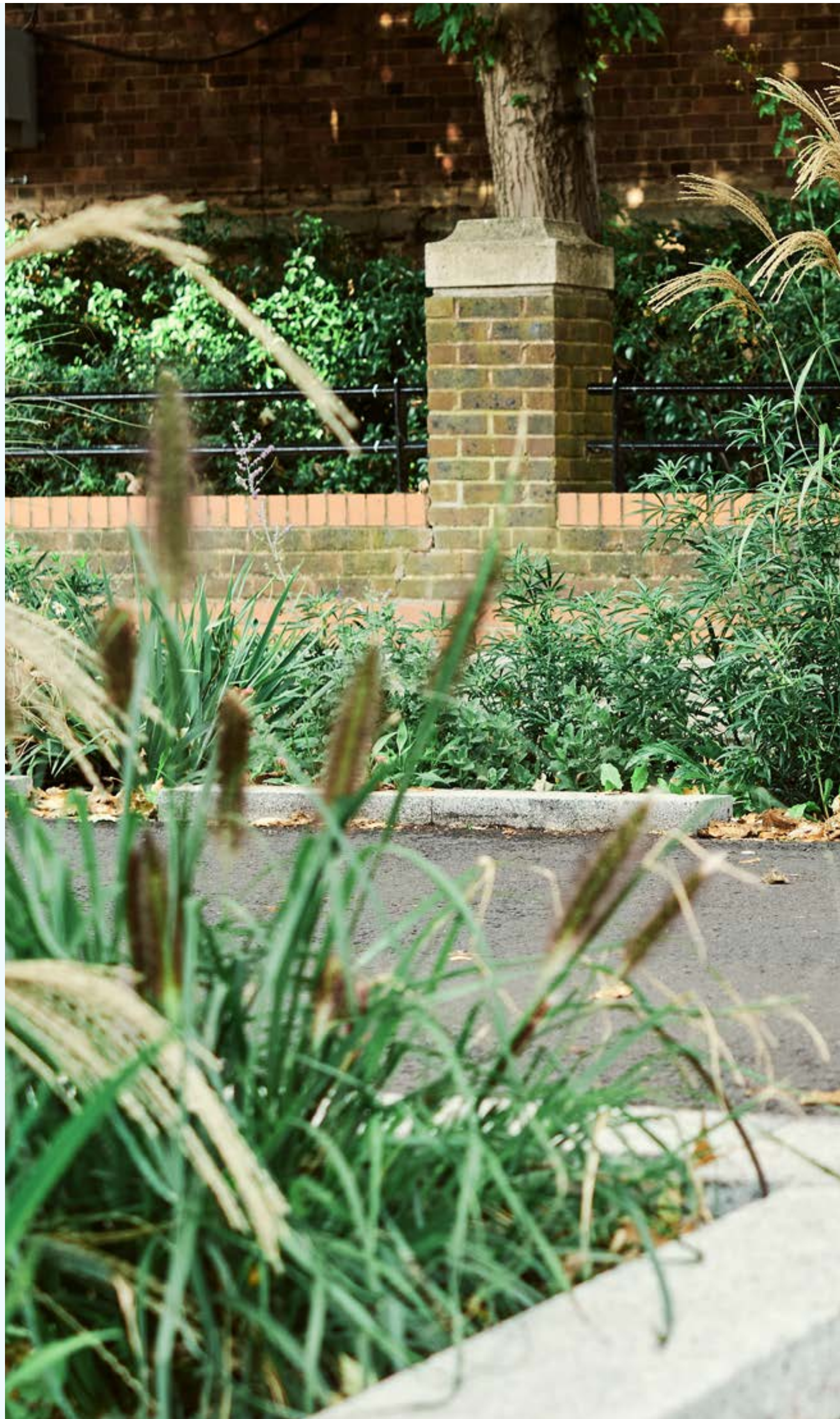


Introduction: About our report

This is our Annual Performance Report ('APR'). It's where you can find out more about how we've performed during our 2024/25 financial year (1 April 2024 to 31 March 2025) and over the past five years against the targets we've agreed with our regulator, Ofwat.

These targets are tied to our purpose to deliver life's essential service, so our customers, communities and the environment can thrive.

We're here to make sure our customers have clean, fresh drinking water every day, and that we're recycling waste without our customers having to worry.

We know that being truly open and transparent is important as we build trust with our stakeholders, so we'll do our best to explain our performance in a straightforward way.

Throughout this report, we've included links to documents that provide more background information and cross-references to linked measures.

The external documents and websites we refer to via links are for extra information only and do not form part of our APR.

This document also includes our regulatory accounts that we're required to publish under Condition F of the Instrument of Appointment ("licence") of Thames Water Utilities Limited (referred to in this report as "Thames Water" or the "Company") as a water and sewerage undertaker under the Water Industry Act 1991.

Our licence can be found on the Ofwat website.

We have prepared this report in accordance with the Regulatory Accounting Guidelines ('RAG') issued by Ofwat, which are:

- RAG 1.09 – Principles and guidelines for regulatory reporting under the 'new UK GAAP' regime;
- RAG 2.09 – Guideline for classification of costs across the price controls;
- RAG 3.15 – Guideline for the format and disclosures for the Annual Performance Report;
- RAG 4.13 – Guideline for the table definitions in the Annual Performance Report; and
- RAG 5.07 – Guideline for transfer pricing in the water and sewerage sectors.

Introduction: Our regulatory and statutory publications

In addition to our APR, we publish the following documents which can be found in the Our performance section of our website.

Annual Report and Accounts 2024/25

Service commitment plan

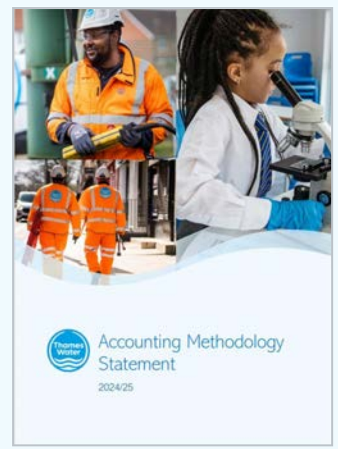
Sustainability report and Environment, Social & Governance ('ESG') statement

Our approach to open data

We publish our APR data tables in a MS Excel format on our website where they can be accessed by all interested parties.

Accounting methodology statement

Reporting criteria



Compliance with Ofwat guidance

Glossary of terms

Introduction: About us

Where we operate and who we serve

Our operating area follows the River Thames and stretches from Gloucestershire to Essex, covering countryside, villages, towns and our capital city of London.

We supply clean and safe drinking water to over 10 million customers every day, and we treat the wastewater of 16 million customers.

We move 2.5 billion litres of water and 4.7 billion litres of wastewater through our water cycle, every single day.

Board leadership, transparency and governance

We're committed to robust standards of corporate governance and follow the requirements of Ofwat's board leadership, transparency and governance principles.

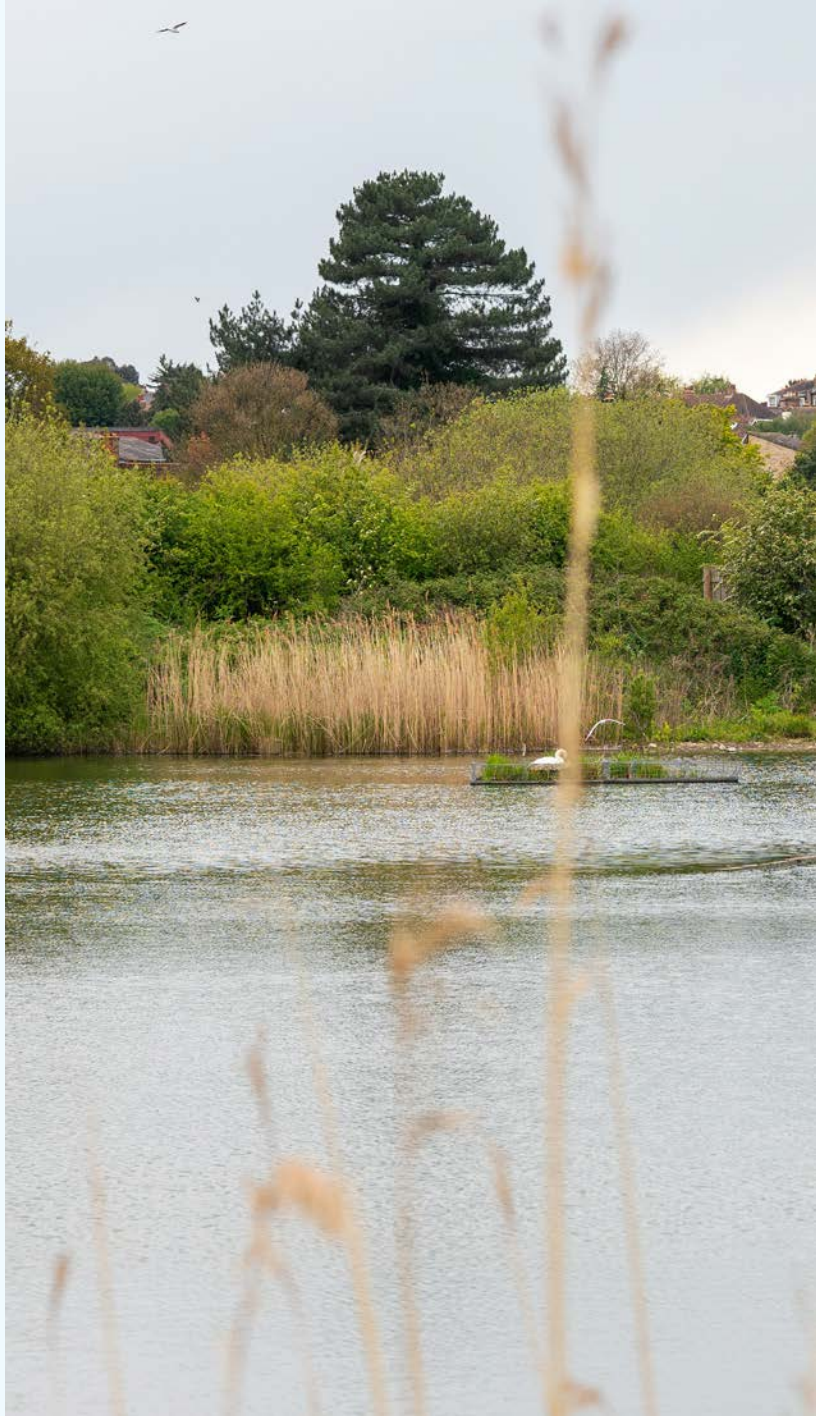
Further details can be found in the 'Compliance with the Corporate Governance Code' section of our Annual Report and Accounts 2024/25.

Statements from our Chief Executive Officer and Chairman can also be seen in our Annual Report and Accounts 2024/25.

Interesting facts about us

- We've replaced over 150,000 ageing water pipes over the last five years;
- We've created 12 acres of new wetlands for wildlife to call home over the AMP;
- This year, we've provided over £260 million in financial support for our customers who need it most;
- Seven colleagues from across the business were chosen to support our capacity building project in Madagascar – a project supported by WaterAid;
- The Thames Tideway Tunnel became operational this year. This is our super-sewer to manage stormwater and will reduce annual discharges into the Tidal Thames by around 95%;
- We've implemented employability schemes for those leaving the Armed Forces, long-term unemployed people, school leavers, prison leavers and other vulnerable groups. Our apprenticeship scheme is ranked in the UK Top 100 by RMP Enterprise;
- We're a Junior Citizenship Scheme partner and have shared our 'Bin it don't block it' message with nearly 12,000 Year 6 children in London; and
- We lifted the lid on our day to day operations in a two-part documentary shown on BBC2, filmed over six months.

Our latest news and investments can be seen on our website



Introduction: Alphabetical index of performance commitments

Our performance commitments

We measure our performance against a set of targets we've agreed with Ofwat as part of our Asset Management Plan ('AMP').

The water industry works in five-year regulatory periods, otherwise known as an AMP period. AMP7 covers the period from 1 April 2020 to 31 March 2025.

Performance Commitments ('PCs') are the metrics that Ofwat uses to measure the service that water companies deliver. They're the cornerstone of the outcomes regime which aims to focus water companies on delivering the things that matter most to customers and the environment.

For a high-level view of how we've done, see Our performance summary.

Common performance commitments apply to every water company in England and Wales. They are the 15 key benchmarks which Ofwat and our stakeholders can use to compare our performance within the wider industry and over time. Many have been in existence for more than the current five-year period and will continue to be PCs in AMP8. A subset of 12 are benchmarked annually in Ofwat's Water Company Performance Report ('WCPR').

Bespoke performance commitments target the needs of a specific company's customers. We've agreed 37 bespoke PCs for AMP7, plus an additional three applying since 2022/23 relating to our conditional allowances.

Click on these links to see our AMP performance for each individual PC.

Our Performance Summary

Performance: Our headlines for the AMP

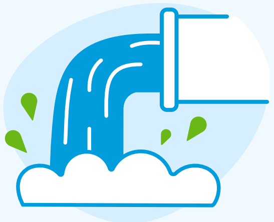
Over the past five years, we've improved our operational strategies to reduce:

- Leakage by 13%;
- Internal sewer flooding by 11%; and
- Sewer collapses by 40%.

We've led the water industry on smart metering and reducing per capita consumption.

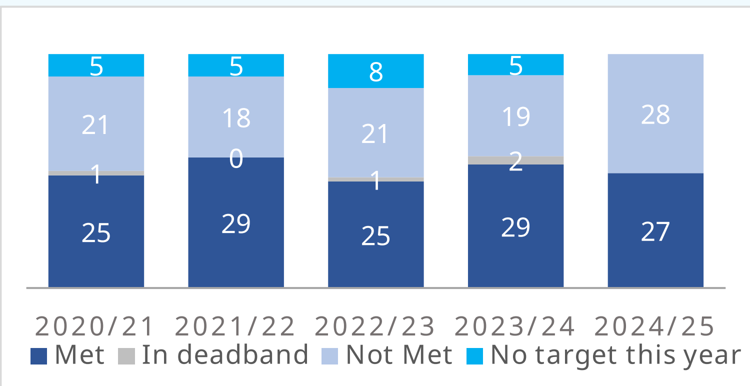
We've stepped up for customers in need:

- Tripling households on our priority services register ('PSR');
- Achieving double our target number of households on our social tariff; and
- Significantly reducing complaints.

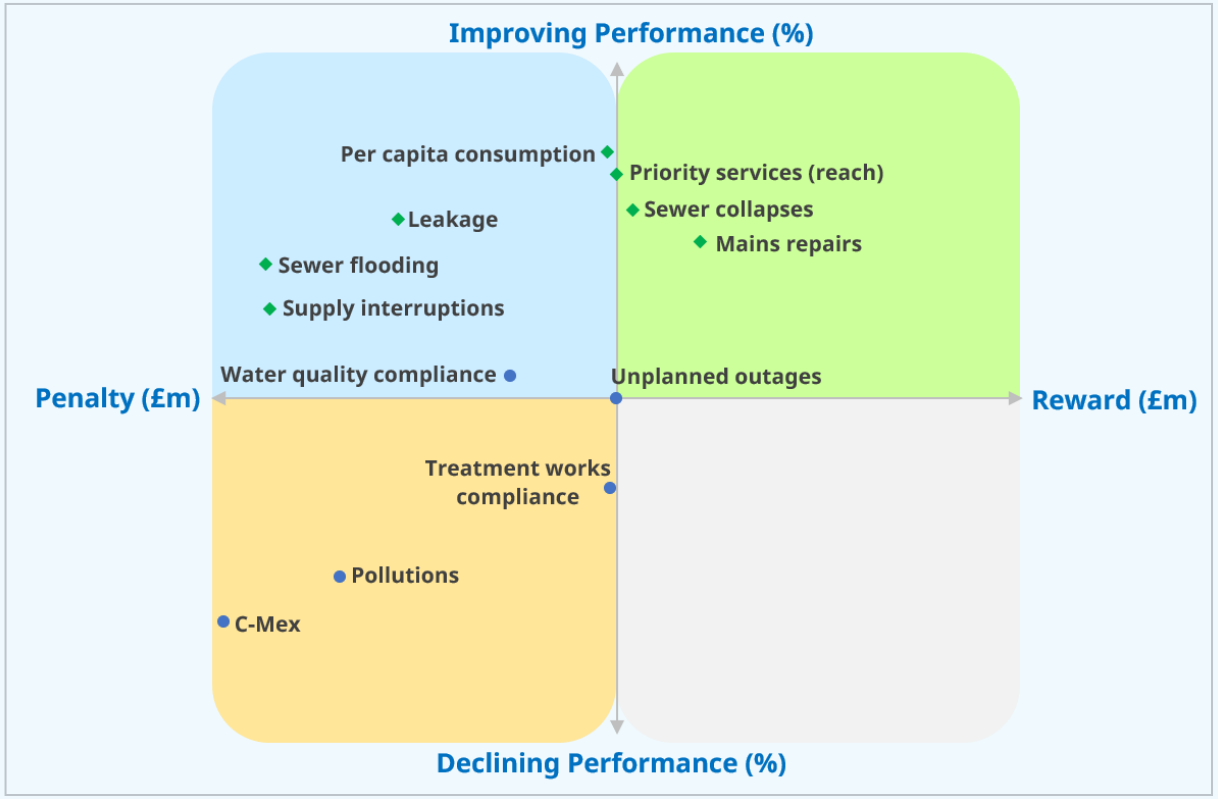


We're disappointed in our pollutions performance, but we're committed to reducing pollution events by nearly a third in AMP8.

Performance commitment targets met over the AMP



How our performance on the WCPR measures has changed during AMP7:



On the diagram above, ◆ indicates where we've had our best performance of the AMP in 2024/25.

In some cases, such as for internal sewer flooding and leakage, our penalty has increased in 2024/25 despite our best ever performance, because Ofwat targets have become incrementally more challenging over the AMP.

Performance: Summary of how we've done in 2024/25

In total, for 2024/25, we've met 27 out of our 55 PC targets. All of our PCs have a target this year as it's the end of the AMP.

What's gone well this year?

The indicative graphs below show how our performance has changed over the past five years for our WCPR measures. You can see that 2024/25 is our best in AMP performance for these seven PCs:

- internal sewer flooding;
- supply interruptions;
- sewer collapses;
- mains repairs;
- leakage;
- per capita consumption ('PCC'); and
- our priority services register (reach).

What could've gone better this year?

We recognise that our pace of improvement is not as fast as our customers expect.

Our pollutions performance has been unacceptable this year and our plans for AMP8 target delivering a 31% reduction in pollution incidents.

Treatment works compliance is impacted by a wide variety of operational issues.

C-MeX reflects customer perception of our performance and media presence.

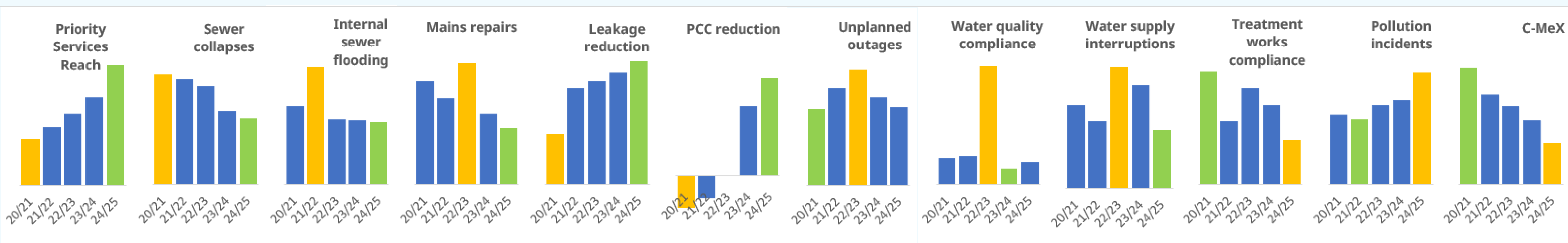
Our net penalty (including C-MeX and D-MeX) has increased from £57 million in 2023/24 to £88 million this year. Excluding C-MeX and D-MeX, our net penalty has increased from £39 million to £68 million.

Over the AMP, our total net penalty (including C-MeX and D-MeX) is £344 million, as shown in the summary table below. C-MeX and D-MeX measure the relative performance of water companies and so are not classified as ODIs, although they contribute to our total penalties.

	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Common PCs	(22.684)	(28.708)	(74.952)	(36.971)	(45.328)	(208.643)
Bespoke PCs	(6.240)	(5.637)	(6.325)	(1.593)	(22.835)	(42.630)
Total net ODI	(28.924)	(34.345)	(81.277)	(38.564)	(68.163)	(251.273)
C-MeX	(16.753)	(16.000)	(13.121)	(12.212)	(13.705)	(71.791)
D-MeX	(1.861)	(1.154)	(5.680)	(6.066)	(6.365)	(21.126)
Total net penalties	(47.538)	(51.499)	(100.078)	(56.842)	(88.233)	(344.190)

Performance improvements can be upward or downward depending on PC; this is explained in the detailed information for each performance commitment.

= best year = worst year = other years



Performance: Summary of our outcome delivery incentives

Outcome delivery incentives ('ODIs')

These are the financial rewards and penalties that we can either earn or incur depending on our performance against our Ofwat targets. Both penalties and rewards will adjust how much customer revenue we can collect for our water, wastewater and retail services.

Some PCs can incur both rewards and penalties while others are reward or penalty only. The amount we pay or receive depends on how far we've missed or exceeded the target for an individual financial PC. Not all our PCs have a financial reward or penalty attached as some are reputational only.

Our ODI Performance by performance commitment in £ millions

The table to the right presents all PCs where our performance has resulted in an ODI during the AMP.

£14.8 million of this year's total penalty is from PCs, such as power resilience, only measured at the end of the AMP. These PCs are denoted by a ❖.

* In 2023/24 we made improvements to our leakage reporting methodology to increase our compliance with Ofwat Common Guidance. The net ODI impact was £1.7 million for 2020/21-2022/23.

All ODIs are in 2017/18 price base.

In the table, numbers are shown as (penalties) or rewards.

Performance commitment	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Internal sewer flooding	(10.560)	(28.831)	(5.531)	(7.375)	(8.213)	(60.510)
Water supply interruptions	(10.122)	(6.956)	(20.022)	(16.336)	(6.476)	(59.912)
Pollution incidents	(2.739)	(1.433)	(9.345)	(12.325)	(21.886)	(47.728)
Leakage *	2.971	0.400	(7.908)	(14.043)	(19.178)	(37.758)
Clearance of blockages	(5.223)	(6.410)	(8.811)	(2.371)	(4.170)	(26.985)
Water quality compliance	(0.898)	(1.262)	(16.043)	-	(0.086)	(18.289)
Power resilience ❖	-	-	-	-	(9.958)	(9.958)
Environmental measures delivered	-	(0.667)	-	(0.308)	(4.258)	(5.233)
Surface water management ❖	-	-	-	-	(1.742)	(1.742)
Per capita consumption ('PCC') ❖	-	-	-	-	(1.462)	(1.462)
Smarter water catchments	-	-	-	(0.811)	(0.811)	(1.622)
Sludge treatment before disposal	-	-	-	(0.454)	(0.826)	(1.280)
Trunk mains conditional allowance ❖	-	-	-	-	(1.102)	(1.102)
Treatment works compliance	-	(0.123)	-	-	(0.950)	(1.073)
Security of Supply ('SoSI')	-	-	(0.224)	(0.224)	(0.448)	(0.896)
Installing new smart meters in London ❖	-	-	-	-	(0.767)	(0.767)
Unregistered household properties	(0.211)	(0.211)	(0.211)	-	-	(0.633)
Water quality events	-	-	(0.142)	(0.071)	(0.036)	(0.249)
Sewage pumping station availability	-	-	-	-	(0.200)	(0.200)
Acceptability of water to consumers	-	-	-	-	(0.099)	(0.099)
Enhancing biodiversity ❖	-	-	-	-	(0.057)	(0.057)
Abstraction Incentive Mechanism ('AIM')	0.000	0.000	0.000	0.001	0.000	0.001
Managing early handback of Tideway land ❖	-	-	-	-	0.540	0.540
Empty household properties	(0.308)	0.617	0.231	0.231	0.231	1.002
Reducing risk of lead	0.015	0.429	0.689	0.840	0.026	1.999
Empty business properties	0.549	0.497	0.278	0.274	0.509	2.107
Sewer collapses	0.030	0.166	0.340	1.027	1.223	2.786
Renewable energy produced	(1.370)	0.725	2.096	1.531	0.564	3.546
Mains repairs	(1.058)	8.714	(16.674)	11.850	11.469	14.301
Total net ODI	(28.924)	(34.345)	(81.277)	(38.564)	(68.163)	(251.273)

Performance: Our major project initiatives

Conditional allowances

For AMP7, Ofwat conditionally permitted us two allowances to enhance the performance of our network. These allowances were provisional on us delivering an agreed scope of work through a gated process.

London Water Improvement ('LWI') Conditional Allowance

In November 2022, Ofwat confirmed we'd met their requirements and in May 2023, they approved £300 million expenditure. At the same time, we committed a significant shareholder investment of £400 million so the overall total allowance is £700 million. This has benefitted customers across London through investment in improving the resilience of the water supply.

This funding boost will allow us to replace 112km of our leakiest water mains pipes across London.

To reflect how this allowance impacted our performance, our performance targets for mains repairs (per 1,000 km of mains network) and leakage (three year average reduction) for the last two years of the AMP were updated as follows:

Year	Change	Mains repairs	Leakage
2023/24	Was	254.8	17.4%
	Now	254.7	17.4%
2024/25	Was	251.1	20.4%
	Now	249.3	20.5%

With Ofwat's approval, we agreed to three new performance commitments for the 2020-2025 price control period, which can be seen in the Bespoke Performance Commitments section.

These are:

- Trunk mains renewal (in period, penalty 2023/24 onwards);
- Future London strategy (in period, reputational 2024/25 only); and
- London data validation work streams (in period, reputational 2023/24) onwards).

Water Supply System Resilience Programme ('WSSRP') Conditional Allowance

Our WSSRP conditional allowance was approved by Ofwat in December 2023 and approved by the Board in January 2024. It's a long-term programme that addresses our ambition, and customers' feedback that resilience should mean that no customer is without water for more than 48 hours.

We'll deliver this programme during AMP8, driving major asset resilience improvements at some of our largest Water Treatment Works in London. All benefits are expected to be realised by early 2031.

We've agreed interim and final milestones with Ofwat, which means we'll incur "delay" or "non-delivery" penalties should we not perform at the levels we have set with Ofwat.

Thames Tideway Tunnel ('TTT')

One of our key successes in 2024/25 is that the Thames Tideway Tunnel is now operational. It's been constructed by Bazalgette Tunnel Limited ('BTL') to tackle the problem of overflows from the capital's Victorian sewers and will be functional for at least the next 100 years.

We have six performance commitments, because we're responsible for connecting the TTT to our existing network.

In May 2024, the isolation between the Lee Tunnel and Tideway Tunnel was removed creating one single system known as the London Tideway Tunnels.

The system is currently being commissioned which relies on suitable storm intensities to test the full capability of the system. This is forecast to complete later in 2025.

However, all sites are now fully operational and tunnel storage levels will increase during the commissioning process to bring the full protection offered by the tunnel design.

The 25km-long, £4.6 billion super-sewer builds on other improvements, such as the Lee Tunnel and asset resilience schemes, to reduce the total volume of discharges into the tidal Thames by 95% in a typical year and overall spills into the river by 90%. It is also creating new public spaces and amenities.

The 6.9km-long Lee Tunnel was connected to Thames Water's network in 2016 and it had an immediate impact on the River Thames' health. During surveys in 2023, 12 species with a total of 714 living creatures were recorded in parts of the river that had been previously declared biologically dead.

Performance: How weather impacted our performance this year

Considering climate change risks

At Thames Water, adapting to and mitigating our contribution to climate change have been important parts of how we do business for a long time.

We make significant assessments to understand climate related risks and opportunities, and their impact on our future plans.

Climate change is one of the biggest challenges we face. More frequent and intense weather events across the globe will impact our business and the service we provide to customers this year and over the coming years.

The weather in 2024/25

Groundwater levels continued to be high and rainfall above average, albeit not at the severity of the previous year. High groundwater levels improve the stability of our networks, reducing the risk of incidents such as pipe bursts and supply interruptions.

However, prolonged wet weather, such as in September, exacerbated our poor performance on spills and pollutions. There were also two named storms in November which were particularly challenging to the capacity and resilience of our waste operations.

The summer was cooler and wetter than average, along with the winter being less extreme in temperature than average. However, even the minor periods of freeze-thaw activity highlighted the fragility of our assets, such as in causing leakage outbreaks to increase.

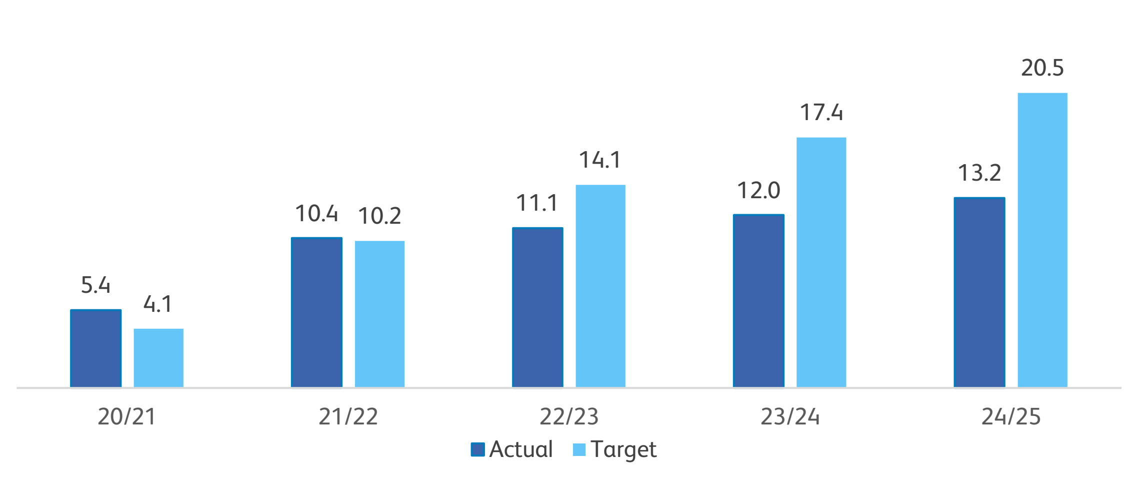
C-MeX - our measure of customer experience - can often reflect how well we manage operational and weather events, such as maintaining supplies during droughts or mitigating the impact of sewer flooding.

Performance commitments particularly sensitive to weather events include:

- Internal sewer flooding;
- Leakage;
- Mains repairs;
- Water quality events;
- Pollution incidents;
- Water supply interruptions;
- Per capita consumption;
- Security of supply index;
- Responding to major trunk mains bursts;
- Sewage pumping station availability;
- Abstraction incentive mechanism; and
- C-MeX.

Common Performance Commitments

Leakage *BW04*



% reduction in leakage using a 3-year average from the 2019/20 baseline survey

A greater % is better

Penalty: £19.178m (not met)

How we've done

We've made another reduction in leakage from our network this year, although we haven't achieved the ambitious regulatory target. Our 3-year rolling average leakage is now at its lowest ever level.

We were on target for the first four months of the year, but our leakage increased from summer onwards, exacerbated by colder temperatures in winter and water temperatures remaining colder into spring for longer than the previous year, raising the risk of asset stress and thus leakage.

The recovery since the extreme weather of 2022/23 has continued, albeit at a slower pace in London compared to Thames Valley Home Counties ('TVHC').

Our Prevent Aware Locate and Mend ('PALM') strategy continues to improve our operational ways of working, focusing on fixing larger leaks sooner. This year, we've repaired or replaced more district meters, deployed additional monitoring and better alarm response and continued analysis to identify particular District Metering Areas ('DMAs') with poor performance to enable localised action plans. Within the Prevent workstream of PALM, our pressure management and calm systems initiatives have been particularly effective at reducing leakage by reducing asset stress.

We have intensive monitoring and review pathways in place to drive continual progress on achieving our Leakage Transformation Programme.

What we're doing to improve performance

We'll keep following our Leakage Transformation Programme as we move into AMP8 and aiming for a balance across our PALM activities. We've built our AMP8 leakage delivery plans around the challenge of recovering our performance to Ofwat and customer expectations as quickly as possible.

To do this, we've brought forward greater investments than ever before in the maintenance and renewal of our assets to prevent leakage through mains replacement and pressure management, as well as deploying more than one million additional smart meters to increase our understanding of water usage and improve our targeting of leakage interventions. Where possible, these investments will be delivered in the first half of the AMP to bring the greatest benefit sooner.

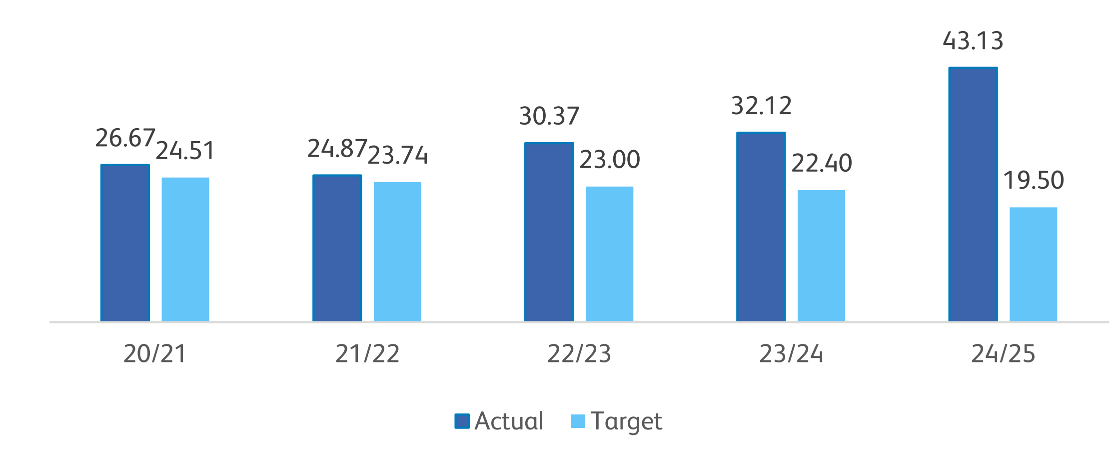
We're developing smarter ways of working, such as through our operational plans for active leakage control, addressing leakage recurrence and driving recovery and reduction where possible. We also have an ambition to increase our acoustic loggers (which detect leaks remotely) from c.21,000 in 2024 to 102,000 by 2030.

Our Service Commitment Plan ('SCP') contains further details about our plans and our overall performance objectives.

Notes on this measure

Ofwat uses the % reduction in leakage to measure performance, but as a Company we also monitor the annual and three-year average ML/d underpinning this % through our monthly management reports. The ML/d view drives in-depth trend analysis for strategic and operational purposes, along with providing greater granularity.

Pollutions *ES01*



Number of pollution incidents per 10,000km of our wastewater network that pose a danger to the environment

A lower number is better

Penalty: £21.886m (not met)

How we've done

Pollutions are high this year across all asset types and we haven't met our target. Whilst pollutions caused by third parties and blockages have continued to decrease, these remain the key causes.

Our performance has also been impacted by the condition of our assets and their inability to mitigate the hydraulic overload from wetter than average weather in the year and ongoing high groundwater levels. Power outages and resourcing challenges have further weakened our resilience.

Over the AMP, we haven't delivered enough of our capital investment plans for improving resilience at our treatment works. Across our sewer networks, customer behaviour continues to drive too many blockages from undesirables, such as fat and rubbish, in our sewerage system.

New internal processes are in place to improve our performance including virtual triage, additional resourcing, targeted sewer cleaning, a better response to sewer depth monitor alarms and improved critical maintenance of our treatment works. We've also introduced proactive incident reporting to enable the EA to make more accurate categorisation from the outset of events.

We've increased monitoring of our assets, which is the right thing to do but alerts us to more reportable incidents. Although our performance is challenging, we're finishing the AMP with much better data insights to enable us to make targeted improvements in AMP8.

What we're doing to improve performance

We'll continue to have a performance commitment in AMP8 and with a tightening target and more stringent EA monitoring, our performance may look worse initially. We recognise that we need to significantly improve our performance against this measure and that public interest and poor perception of us continues to increase with the ongoing media focus on pollutions. We remain committed to targeting interventions on the root causes of pollutions and are working closely with the EA to seek agreement for our pollution action plans, particularly for turning around the 13 worst performing sites.

We're implementing a power resilience programme to counter the rise in power outages during AMP7 and our AMP8 STW capital investment plan is our most ambitious ever.

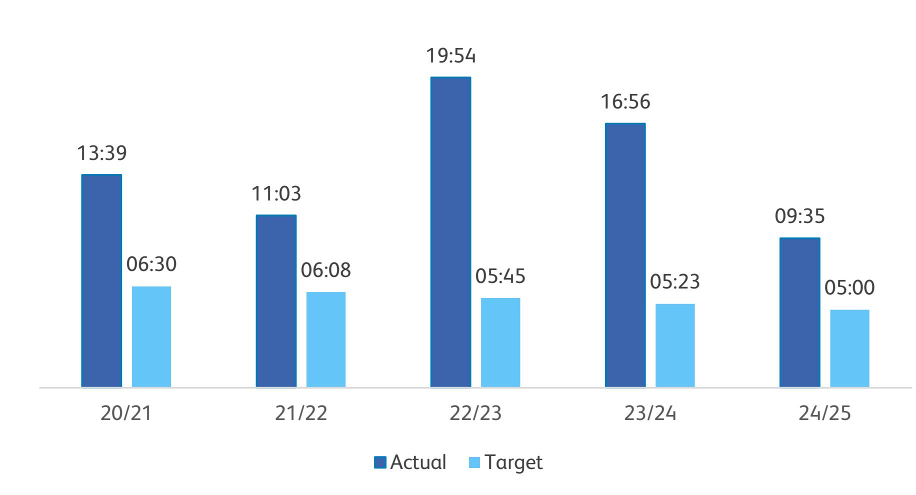
More details on our improvement strategy can be seen in our Pollution Incident Reduction Plan ('PIRP').

Notes on this measure

This is a calendar year measure.

The EA categorises pollutions from 1 (the most serious) to 4 (minimal or no impact). Categories 1-3 are included in scope for this PC. EA categorisation regulations have tightened this year, along with the need to provide evidence to prove a pollution has not happened or has had no impact. During AMP8, we hope to see better consistency in the application of EA regulations across the UK.

Water Supply Interruptions *BW03*



Average length of time our customers don't have water (in mm:ss)

A lower time is better

Penalty: £6.476m (not met)

How we've done

Our performance improved by over seven minutes this year and we realised our best performance in eight years, but we've still missed our target.

We had one major supply interruption on a trunk main in Crystal Palace, London, which accounted for 2:31 minutes; more details can be seen under BW11 Trunk Mains interruptions. There were no other notable events.

Over the AMP, we've taken a strategic approach to how we manage and mitigate supply interruptions. We've focussed on our response and our supply restoration capability, and worked to reduce the frequency of incidents impacting customers.

Covid-19 impacted our usage patterns by moving a notable level of demand from London to TVHC. TVHC has more limited network re-routing options and our level of system storage has been reduced as we meet the higher demand. These factors have made us more vulnerable to prolonged supply interruptions in TVHC.

What we're doing to improve performance

Over the past five years, we've made significant improvements to our understanding of supply interruptions and to our prevention initiatives, such as using generators for storm resilience at WTWs, identifying DMAs with a high frequency of supply interruptions for targeted asset refurbishment or replacement and focussing on prioritising supply restoration over repair completion.

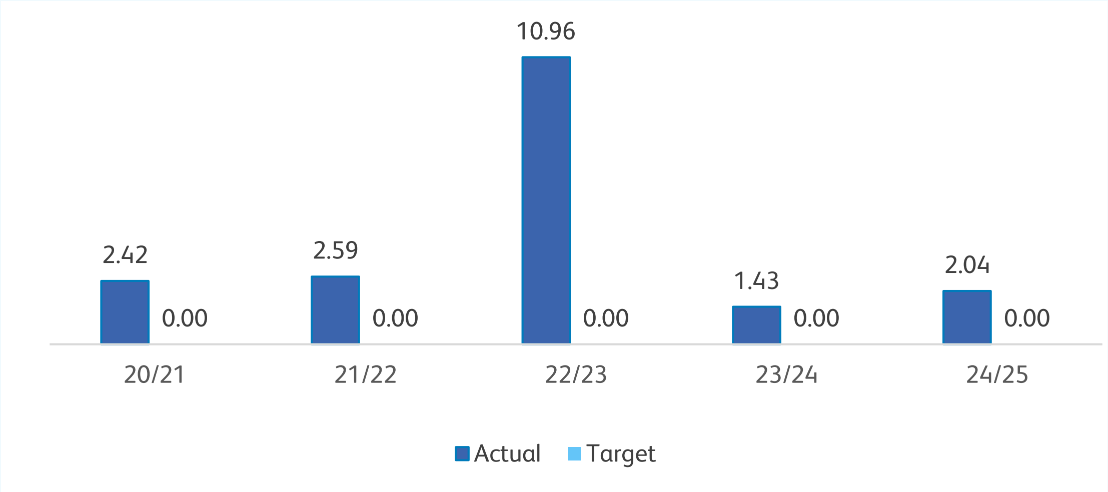
We'll build on these improvements in AMP8 as this performance commitment will remain a key focus for our customers, us and Ofwat. We're introducing specialist field based resources in TVHC with more specialist equipment to restore supplies, continuing to use preventative maintenance to reduce incidents at WTWs and optimising our response to trunk mains bursts.

We aim to introduce "SmartValve" which has near-real time status tracking of all our valves and remote-controlled operations of trunk mains valves to isolate bursts or reroute supplies. We're also considering the viability of "Smart Systems", a tool for enabling quicker identification of network issues.

Notes on this measure

This is the average number of minutes and seconds our customers don't have water, for interruptions lasting three hours or more.

Water Quality Compliance *BW06a*



Measured with the Compliance Risk Index (CRI), the annual aggregated score of our level of treated water compliance incidents

A lower score is better

Penalty: £0.086m (not met)

How we've done

We've achieved our second best result in the AMP, reflecting the success of our Turnaround Plan. We've missed our target this year, incurring a small penalty, but we're seeing better resilience at our largest London sites.

We've broadly maintained our performance due to diligent execution of our Public Health Transformation Plan within our Turnaround Plan, including competency, tank inspections, hazard reviews, and assurance audits. The focus remains on tackling our highest risk areas.

Failures this year included coliform detections at Cleeve, Chingford and Deptford WTWs and an E.coli detection at Horton Kirby WTW.

The DWI define the parameters of our score on this measure and they have increased scrutiny on water supply zone failures with penalties for perceived breaches if representative samples are not collected. This incentivises us to make sure our sampling is consistent.

What we're doing to improve performance

This performance commitment will remain a key focus for us and our regulators in AMP8, with additional regulations being introduced for lead in the water.

Process improvements are underway at various WTWs to reduce the risk of water quality failures. For example, increases in targeted chlorine concentration, continuation of our enhanced hazard review process and UV installations at our Large Process Plants in London.

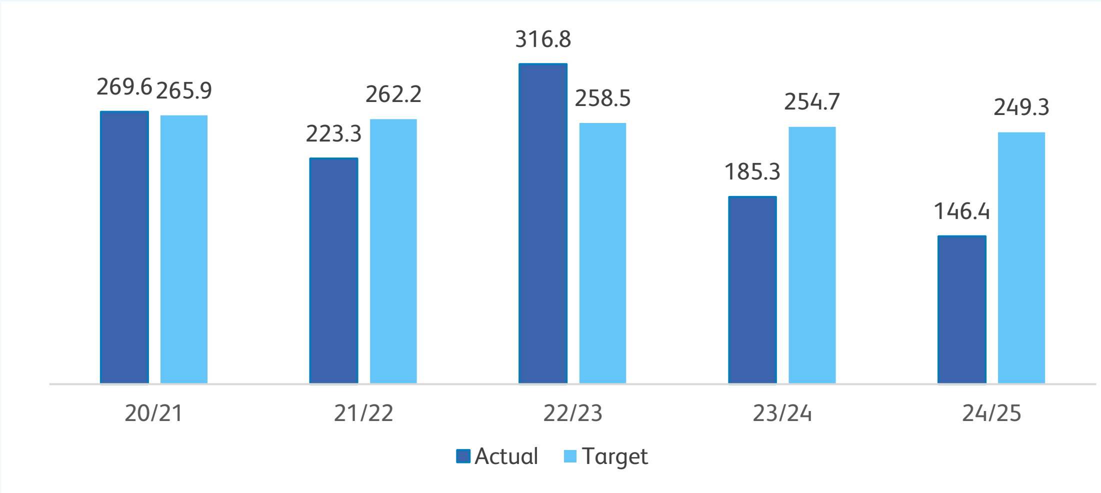
We'll continue to develop further improvements in AMP8.

Notes on this measure

This is a calendar year measure.

Our reported performance is as per the annual Drinking Water Inspectorate ('DWI') Chief Inspector's Drinking Water 2024 report published by the DWI on 9 July 2025, which can be seen here.

Mains Repairs *BW01*



Number of repairs we have made to the network per 1,000 kms of mains

A lower number is better

Reward: £11.469m (met)

How we've done

We've met our target and achieved our lowest ever level of mains repairs.

This year, we've focused on refining our leakage operational teams' ways of working, driving clearer end to end ownership of network maintenance. We've also used the severity grading of leaks to prioritise repairs, as we continue the strategy of maximising leakage reduced over the volume of bursts repaired.

Relatively mild, damp conditions and limited freeze-thaw events or extreme temperatures mean that our pipes have had greater stability in the saturated ground, further reducing the risk of bursts.

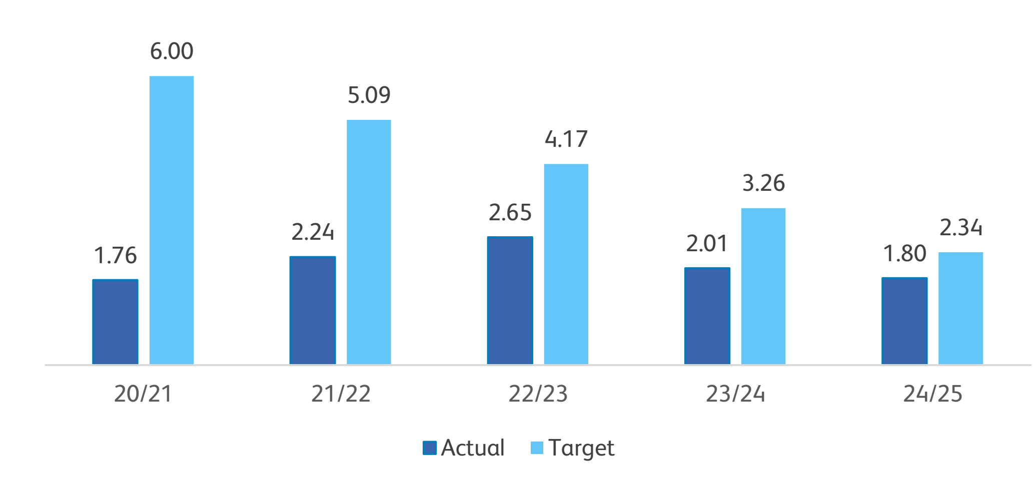
In May, we also successfully completed the transition to our new work management system which provides higher quality data.

What we're doing to improve performance

This performance commitment will continue to be a measure in AMP8.

We'll continue to realise the benefits of our Leakage Transformation Programme, building on the substantial improvements to our performance during AMP7.

Unplanned Outages *BW02*



% of water we were unable to supply due to unforeseen circumstances

A lower % is better

No penalty (met)

How we've done

We've performed strongly against this measure again this year and met our target.

The continuing focus on the public health transformation plan, and on water quality through the Turnaround Plan, has synergistic benefits for unplanned outage performance; our water treatment works will have greater reliability and resilience.

Performance has remained fairly stable since establishing this performance commitment in 2020, with an increased improvement over the past two years as we experience the benefits of the Turnaround Plan initiatives.

Measurement of unplanned outages is subject to a degree of technical interpretation and judgement, although we triangulate information from multiple systems to build up a detailed picture of site performance.

What we're doing to improve performance

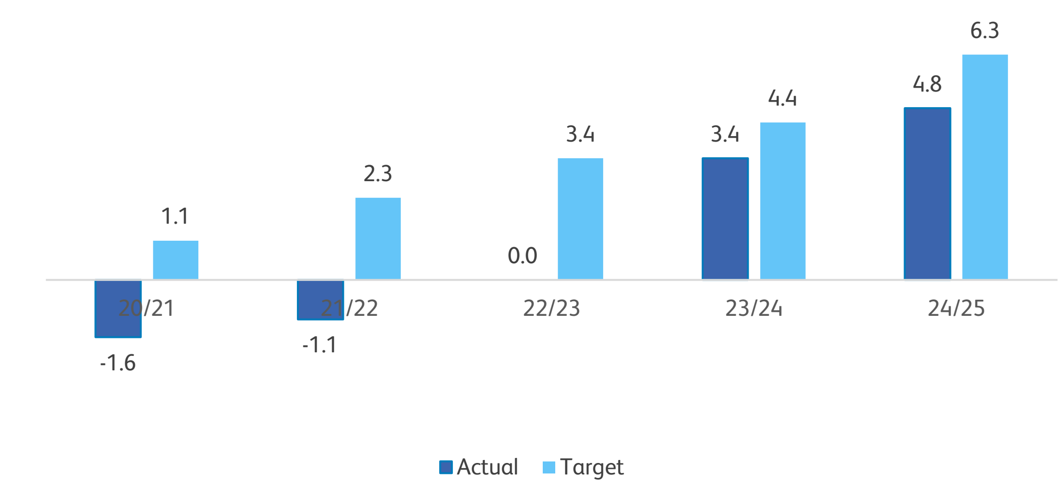
Our performance commitment target becomes slightly more stretching in AMP8, but we're confident of achieving it through continued focus on planned maintenance and public health transformation initiatives.

Increasing automation of our reporting will enable us to provide monthly updates to drive greater operational and asset insight and intervention. We'll also increase collaboration between our outage manager and our asset health team for even better outcomes.

Notes on this measure

The mechanism of this performance commitment is such that only events at our largest treatment works with a duration of several days would have a materially significant impact on our performance.

Per Capita Consumption ('PCC') *BW05*



Three year average % reduction in the average water usage of household customers

A greater positive % is better

Penalty: £1.462m (not met)

How we've done

Our three year average reduction in PCC has continued the steady improvement shown in the previous two years, and we've led the industry in reducing PCC despite missing our PC target this year. We're seeing greater reductions in usage in the areas with higher meter penetration, such as London, reflecting the impact of our metering programme.

We've experienced delays in sourcing components and information systems for delivering smart meter installations, which are a critical driver for reducing water consumption and identifying continuous flows from leakage. Delays in developing and deploying a new smart meter portal also pushed back planned water savings which should have been realised by the end of AMP7.

As in last year, some of the reduction in PCC may be due to cost of living pressures lowering household water consumption alongside saving energy to reduce bills.

Our penalty this year has been adjusted for the ongoing impact of lifestyle changes post-Covid-19, such as increased household usage from hybrid working. The impact of Covid-19 can be seen most starkly in 2020/21 and 2021/22 where PCC actually increased, shown as a negative result on the graph above.

Looking back at AMP7, we remain disappointed that this measure does not fully reflect our investment in demand reduction and water delivery efficiency activities as it is more influenced by external factors than water company-led interventions.

What we're doing to improve performance

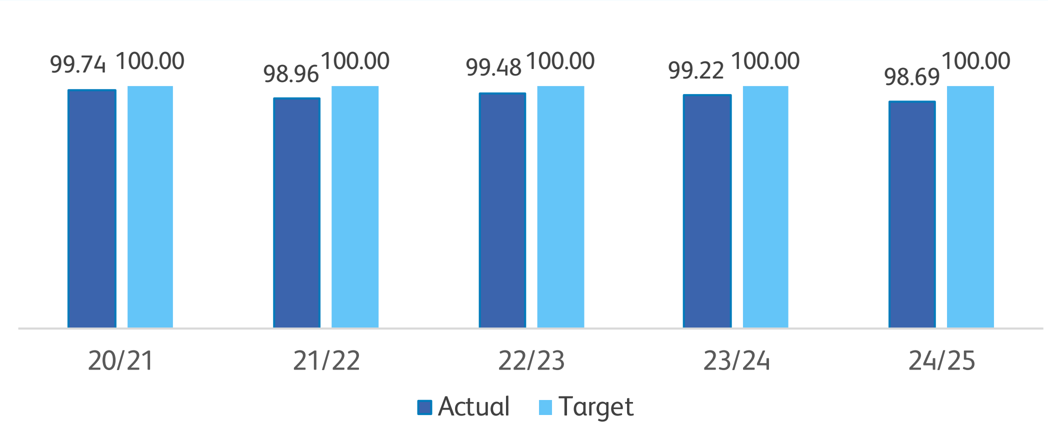
PCC will continue to be a performance commitment in AMP8 and our forecast is aligned to our Water Resource Management Plan 24 ('WRMP24') forecast, increasing transparency. However, PCC will remain particularly volatile to weather patterns, such as summer droughts and other external factors, including the ongoing cost of living crisis. If household income pressures ease during AMP8, we could see water consumption increase.

The increasing volumes and coverage of smart meters across all water resource zones will improve our ability to identify and fix continuous flow and engage with customers to drive positive behaviour changes.

We're re-profiling our installation plan for AM8 smart meters to increase the potential leakage reduction benefit, bringing forward installations and targeting specific property types and locations with higher PCC. This should help to reduce our PCC more quickly and enable greater water efficiency outputs.

Alongside our metering roll-out, we'll improve our smart meter data analysis and customer engagement during 2025/26. This could potentially include regular 'nudge' communications to drive customer behaviour change and greater self-fix of continuous flow leaks.

Treatment Works Compliance *CS01*



% of our treatment works compliant with their discharge permit conditions

A greater % is better

Penalty: £0.950m (not met)

How we've done

We've missed the target this year by having five non-compliance events. The number of events per year has fluctuated between one and five during the AMP.

We've had the following events impacting our performance this year:

- Wisley STW, biological oxygen demand failure (February 2024);
- Mortimer STW, oil and gas permit exceedance (March 2024);
- Woolhampton STW, oil and gas permit exceedance (March 2024);
- Banbury STW, ammonia incident caused by a third party (May 2024); and
- Waltham Abbey WTW, chlorine failure (November 2024).

Two of the failures related to legacy oil and gas limits on permits which have now been removed. The Banbury failure related to a third-party incident.

All failures were investigated and the root cause identified so that corrective actions could be taken to reduce the risk of re-occurrence. Upon completion of these reviews, actions were implemented to mitigate the risk of similar occurrences.

Additionally, discharge compliance risks are reviewed by senior management in monthly Environmental Governance Board meetings. This helps to maintain our continuous learning processes and focus on mitigating failures.

What we're doing to improve performance

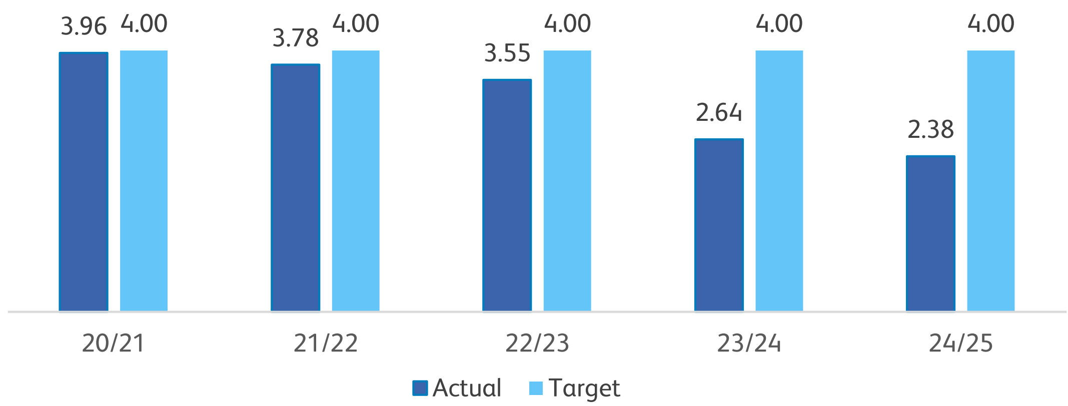
We'll continue to have this performance commitment in AMP8 with a target of 100%.

We should see benefits from the AMP8 pollutions and storm discharges reduction programmes.

Notes on this measure

This is a calendar year measure.

Sewer Collapses *CS02*



Number of sewer collapses per 1,000 km of sewer network

A smaller number is better

Reward: £1.223m (met)

How we've done

We've achieved our best ever performance, meeting our target and completing strong performance in every year of the AMP.

Over the AMP, we significantly increased investment in proactive sewer rehabilitation and we've successfully delivered the target meterage of this preventative programme in every year. The benefits of this can be seen in the year-on-year reductions in sewer collapses.

Our work management system and processes used to deliver operational work for sewer collapses and rising main bursts are fully embedded after changes in Year 4 and they provide a good level of data insights.

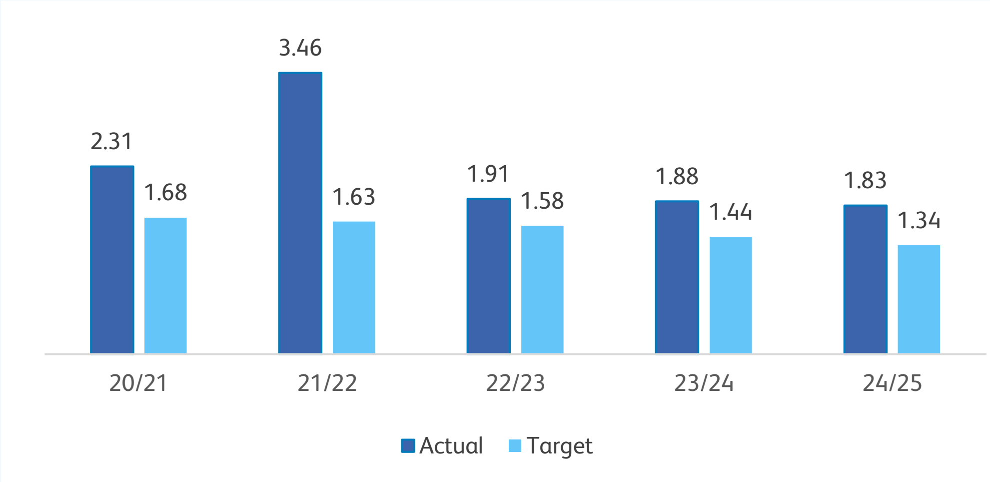
What we're doing to improve performance

We'll continue to have this measure in AMP8.

Our proactive sewer rehabilitation programme will continue and further process improvements are being investigated to reduce the time between the CCTV survey and delivery of any required sewer rehabilitation.

The AMP8 plan includes ongoing investment in proactive gravity sewer rehabilitation at similar levels to AMP7, plus additional investment on proactive rising main replacements to significantly improve rising main asset health and reduce burst failures.

Internal Sewer Flooding *CS03*



Number of internal sewer flooding incidents per 10,000 sewer connections

A smaller number is better

Penalty: £8.213m (not met)

How we've done

We've missed our target this year, but achieved our best performance of the AMP reflecting the successful actions in our Turnaround Plan, such as the roll out of sewer depth monitoring. We've seen a particular reduction in Sewer Flooding from Other Causes ('SFOC'), rather than those caused by hydraulic overload.

The wetter than average weather patterns this year were challenging for preventing internal sewer flooding, with notably poor performance during September. It was the wettest September on record for several counties in our region and our performance in that month alone equated to 111% of the year's total hydraulic flood target.

Over the AMP, we've seen a year on year improvement in SFOC performance, as these are easier to predict and manage through regular sewer cleaning and maintenance, but hydraulic flooding performance continues to be volatile and weather-dependent. Covid-19 also correlated with the number of floods from blockages increasing, as customer behaviours changed.

2021/22 was impacted by the London flooding of July 2021, a 1 in 200-year weather event. The ODI impact was c.£20 million from this one event.

What we're doing to improve performance

We'll continue to be measured against this performance commitment in AMP8 and we'll have an additional performance commitment for measuring external sewer flooding.

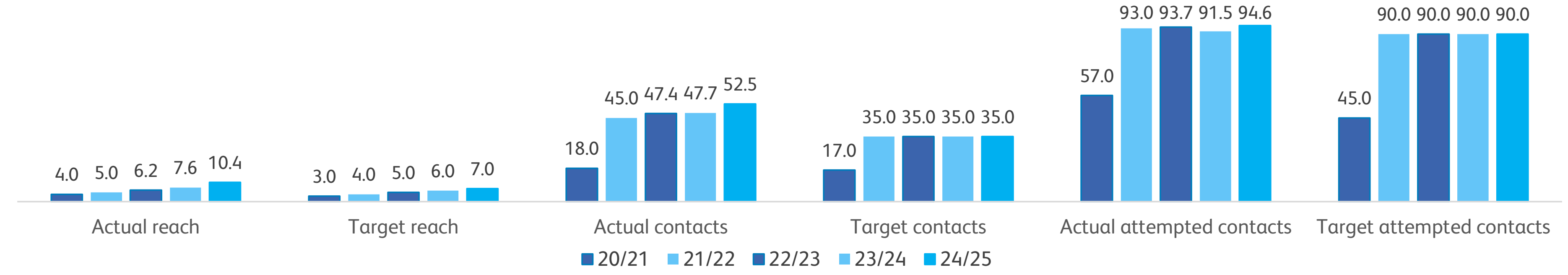
We'll review our focus on response times during wet weather events with the aims of providing a quicker response and reducing the severity of the flooding. We'll keep conducting analysis to identify repeat floods and those that would be classed as avoidable to take forward learnings and continuous improvement.

We'll continue strategies to reduce blockages, which are another key cause of flooding. For example, we'll extend our planned sewer cleaning and increase the rate of interceptor removal to reduce the risk of blockages and floods in higher risk area.

We'll also continue our sewer depth monitors installation programme, targeting high risk areas to enable proactive attendance to alarms to prevent blockages becoming floods.

We aim to improve data collection at the first point of engineer contact with the customer, to not only improve first time fix, but also drive the correct follow-on work to be raised and completed.

Priority Services Register *AR06*



% of customers on our priority services register

A greater % is better

Reputational only (met)

How we've done

We've exceeded all of our targets again this year, completing strong performance throughout the AMP across all three measures. This has been one of our most successful performance commitments and reflects our commitment to making sure our most vulnerable customers have the additional, appropriate support that they need.

We hit the target to grow our priority services register ('PSR') to 7% of our region – for us that's 410,000 households - 18 months earlier than our target.

We've got robust operational management in place within our contact centres to identify customers who need support.

We're seeing the benefit of awareness campaigns carried out through our customer billing and by UK Power Networks ('UKPN'). In June, we added 88,000 London customers to our Priority Services Register through data sharing with UKPN, synchronising customer support across all utilities.

What we're doing to improve performance

We won't have this performance commitment in AMP8, but we'll continue to operate the PSR processes we've embedded during AMP7.

Notes on this measure

The performance commitment includes the % of all households in our region that are on the PSR, known as 'reach', and how often we contact them.

How individuals are recorded in our PSR

An individual may be registered for multiple reasons, so the number of registrations will not sum to the total individuals registered. For example, an individual of pensionable age with a sight impairment and chronic illness would be counted as three registrations within the support with supply interruptions category.

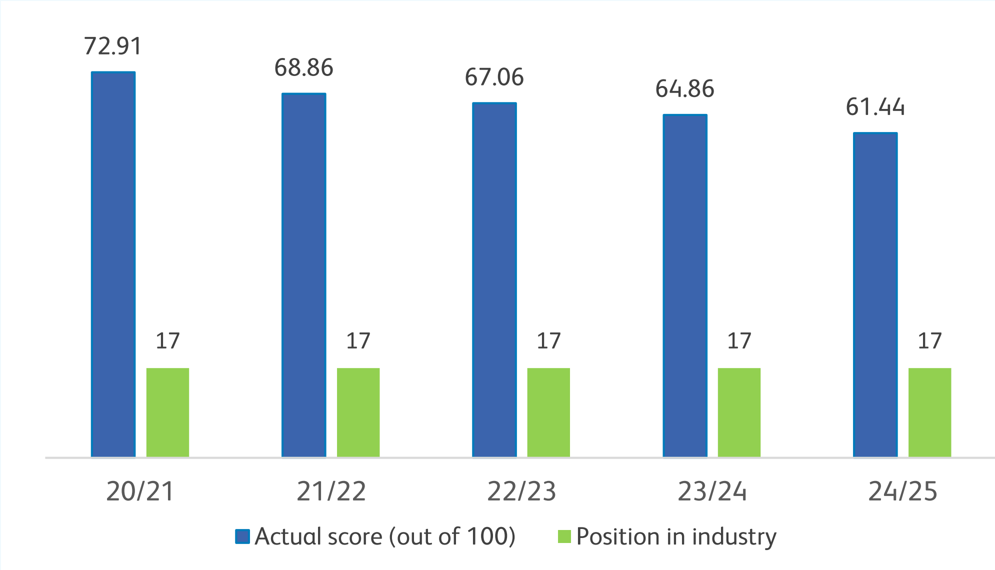
Individuals registered by service category:

Support service category	2024/25
Communication	112,129
Support with mobility and access restrictions	816,210
Support with supply interruptions	1,104,646
Support with security	11,805
Support with other needs	12,012
Total	619,253

Register movements in year:

Support service category	Individuals	Households
At March 2024	450,375	441,936
Additions	243,351	241,500
Removals	74,473	76,685
At March 2025	619,253	606,751

C-MeX *AR01*



Customer experience and satisfaction out of 100 through a customer survey

A higher score is better

Penalty: £13.705m, (17th out of 17 companies)

How we've done

Customers tell us that we're not resolving issues quickly enough or keeping them well informed of resolution progress. Our scores are higher for those surveyed who've used our services, whereas public perception is negatively impacting the view of others.

Across the water industry, C-MeX scores have declined over the AMP and we are no exception to this. Increased negative media coverage has impacted our performance, especially over the past two years, and our operational resolution rates have declined.

In our Turnaround Plan, we chose to focus on reducing complaints rather than improving C-MeX as we can control and measure actual interactions more easily within our complaints processes. However, both water and waste teams have increased their issue resolution rate this year leading to improved customer satisfaction scores. Billing has unfortunately seen a slight reduction in issue resolution rate and consequently scores.

Public perception has been negatively impacted by our pollutions performance and the ongoing uncertainty around our debt restructuring and recapitalisation. We've struggled to demonstrate that we care sufficiently about our customers and our environment. The general election exacerbated public and political focus on us.

What we're doing to improve performance

We'll continue to be measured against C-MeX in AMP8 and the target will become more stretching as Ofwat will be measuring us against a wide variety of customer-facing businesses as well as the water industry.

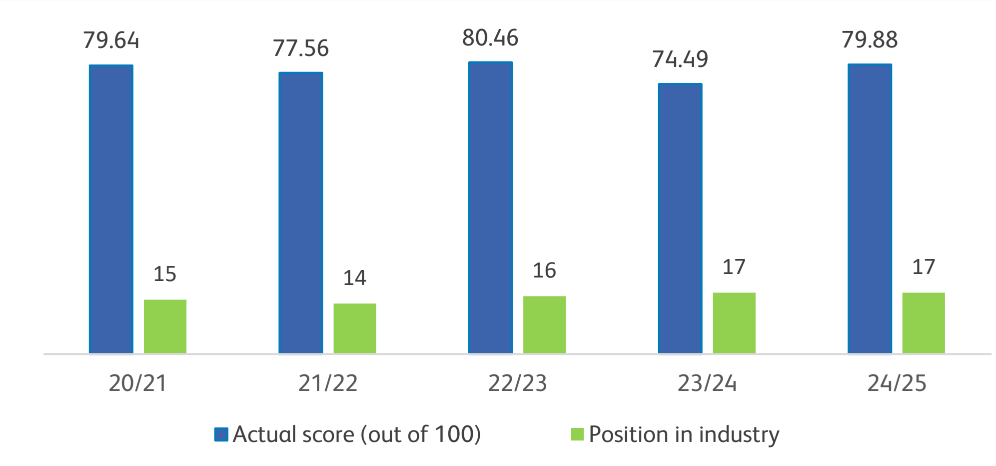
We'll have a new customer strategy centred on becoming the easiest water company to deal with and C-MeX will be a key component of measuring our success. Underlying environmental improvements, better communications to customers and improved operational incident resolution are also key to improving performance.

Notes on this measure

The 17 largest water companies in the industry take part in two equally weighted monthly customer surveys (customer experience and customer satisfaction). The results are used to calculate rewards or penalties based on the relative performance of the company.

The two surveys give C-MeX a balance between customers who've interacted with us and those who've not had a reason to raise a question or complaint to us.

D-MeX *AR01*



How we've done

Our performance has improved from last year, but we remain in 17th place in the league table of water companies. Negative perceptions from our ongoing presence in media coverage are reflected in our D-MeX feedback. The implementation of new systems has also impacted service as we had to take key resources offline for training and the cost of these improvements has had to be recovered within our tariffs.

In TVHC, our performance has been negatively impacted for most of the year by a change of contractors and a backlog of complex, historical jobs not undertaken by the old contractors. There's also been issues with on-boarding the new contractors, such as for implementing traffic management and reinstatement activity. In addition, some jobs have been incorrectly aborted due to resourcing constraints and data errors.

Our D-MeX journey over AMP7 has been challenging. Most work was on hold during Covid-19 and then took us time and additional costs to recover. Market conditions have changed dramatically due to global forces and new legislation. Our data, processes and systems all needed significant upgrading and resourcing has been impacted by other priorities in our Turnaround Plan.

We've seen a change in our work mix, with more higher complexity connections coming off existing mains. Our costs have increased significantly (by over 50% for some activities) which has a negative impact on D-MeX scores and customers focusing on value for money. Some delayed contracts had to be commercially re-tendered at higher prices due to market conditions. Development volumes are also lower, despite government pressures to build more houses, meaning customers receive a greater share of fixed overheads, and we've seen an increase in network reinforcement needed, as more building work is taking place where we have insufficient capacity.

Developer experience and satisfaction scored out of 100 through a customer survey

A higher score is better

Penalty: £6.365m, (17th out of 17 companies)

What we're doing to improve performance

We'll continue to have D-MeX as a performance commitment in AMP8 and we need to improve our performance against our competitors.

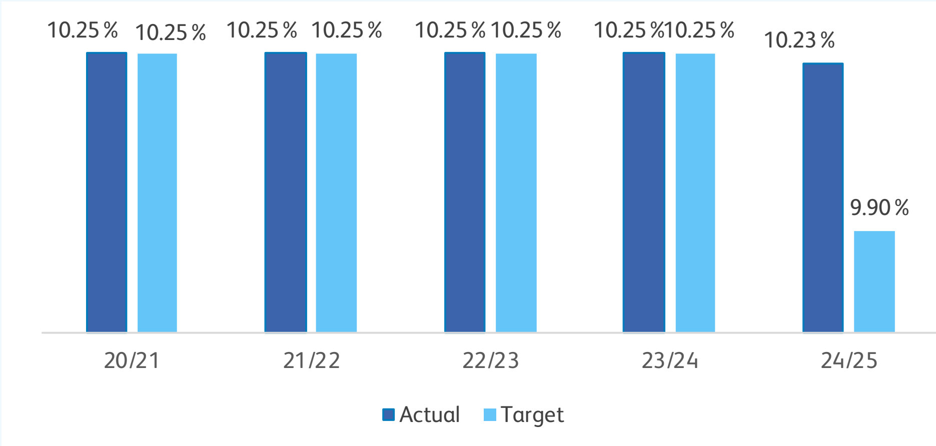
We have a D-MeX Transformation Manager in role who's establishing a D-MeX improvement strategy. Our focus is on improving customer satisfaction, reducing penalty exposure and driving operational efficiencies, incorporating both tactical and strategic changes around six key stages:

- Data and insight – using customer feedback from a new portal, competitor insights and industry best practice to inform the transformation plan and identify key areas for improvement;
- Fixing the basics – through process changes, training, proactive communication, quality monitoring and a focus on continuous improvement ('CI') culture;
- Engagement and culture – rebuilding our Developer Services identity and shared goals;
- Focusing on training, career pathways, development planning and effective performance management;
- New ways of working – tailoring work and communication channels to different customer segments and job complexities; increasing automation and self-service options; and
- Exploring new ideas – focusing on introducing early enabling work, technical advice service and multi-utility coordination.

Notes on this measure

The developer measure of experience ('D-MeX') measures developer satisfaction with our services by combining qualitative and quantitative satisfaction scores. The results are used to calculate rewards or penalties based on the relative performance of the company.

Risk of sewer flooding in a storm *DS01*



% of customers in our region at risk of sewer flooding in a 1-in-50-year storm

A lower % is better

Reputational only (not met)

How we've done

Our Thames Tideway Tunnel has gone live operationally this year, but the benefits are not significantly reflected in this model so we've missed our target.

We switched on the Thames Tideway Tunnel ('TTT') in February 2025. Work undertaken earlier in the AMP during the Counters Creek Flood Alleviation project indicated that whilst the TTT is fundamentally an environmental improvement scheme, it would yield some flood risk reduction; key storm relief outfalls serving west London would improve in performance from flooding moving away more quickly downstream.

However, the model driving this PC has proved to be more inelastic than expected. A 1% change in the level of risk equates to us alleviating risk for 66,000 properties. We've realised model simulation changes for Beckton and Crossness STW catchments, the two areas directly influenced by the TTT, and re-ran our risk model, but it has only indicated a decrease in risk of 0.02%.

The actual flood risk benefit we've realised in west London and Counters Creek is greater than reported here, because much of the flood risk is associated with basement flooding and the model for this performance commitment does not measure this.

The Counters Creek Flood Alleviation scheme estimated a benefit of 6,000 basement properties being protected from a 1 in 30 year level of flood, at a cost of £300 million. There's been no other major flood alleviations schemes in our AMP7 investment plan.

What we're doing to improve performance

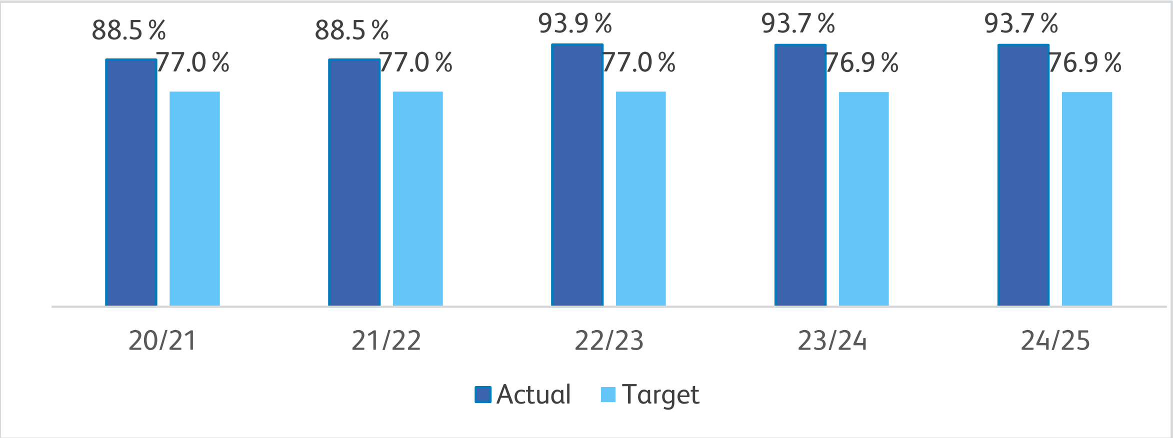
We'll no longer have this measure in AMP8. However, we'll continue to monitor and manage our risk level. We welcome the opportunity to look at other ways to measure flood risk, principally as part of Drinking Water Management Plans ('DWMPs').

Notes on this measure

As required by Ofwat's reporting guidance for this metric, we make the following disclosures:

- We take into account both hydraulic and other cause flooding in our assessment;
- The majority of catchments are Vulnerability Grade 4, typically due to high population density and historical flooding;
- No 2D models were used for this assessment;
- The Flood Estimation Handbook ('FEH') 13 UK-wide statistical model for rainfall depth-duration-frequency has been applied to our risk models; and
- Option 1a collated population 6.24%.
  Option 1b collated population 4.00%.

Risk of severe restrictions in a drought *DW01*



% of customers in our region at risk of severe water restrictions during a 1-in-200-year drought

A lower % is better

Reputational only (not met)

How we've done

This measure has been adversely affected by our under-performance in leakage and PCC compared to our targets, along with changes to supply-side schemes in the Water Resource Management Plan ('WRMP'). Unfortunately, we've missed our target this year.

The level of demand seen in the Swindon and Oxfordshire ('SWOX') and Slough, Wycombe and Aylesbury ('SWA') zones continues to exceed what was forecast at the beginning of the AMP due to changes in work and lifestyle patterns post-Covid-19. This raises our risk of not being able to meet customer demand during drought and thus impacts our performance against this measure.

What we're doing to improve performance

We'll no longer have this measure in AMP8. However, we'll continue to monitor and manage our risk level.

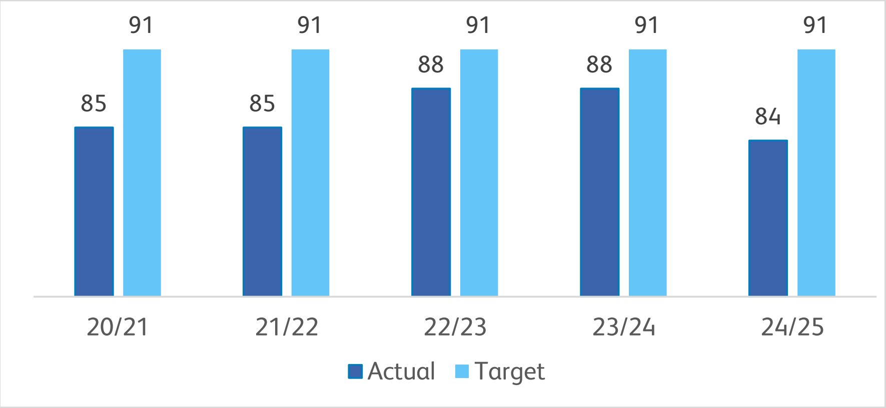
Notes on this measure

Our Water UK certainty grade for this metric is C6, on a scale from A1 to D6 where A1 means indicates the highest water surplus and a robust methodology for calculating the metric.

The guidance consistent metric is 90.41% compared to the 86.60% target.

Bespoke Performance Commitments

Satisfied vulnerable customers *AR05*



% satisfaction level of customers who are on our priority services register

A greater % is better

Reputational only (not met)

How we've done

We've missed our target. When analysing root causes of dissatisfaction, inclusive service issues are not a factor of any significance. The only vulnerability-specific issue highlighted is our support during supply interruptions.

The satisfaction of our PSR customers depends on the same drivers as our wider customer base - resolving issues efficiently and keeping customers informed. PSR customers scored the same on average as our non-PSR customers and our performance for this PC reflects similar issues to those highlighted for C-MeX.

What we're doing to improve performance

We won't be measured on this PC in AMP8, but it will still be tracked by our retail team alongside our vulnerability strategy. We know that we need to improve our support for customers during supply interruptions by keeping them more informed and customising our support for PSR customers with appropriate alternative responses. A workstream has been established as part of our improvement plan for complaints.

Our AMP8 vulnerability strategy focusses on resolving issues for customers more rapidly and keeping them better informed.

BSI for fair, flexible, inclusive services *AR07*

	2020/21	2021/22	2022/23	2023/24	2024/25
Actual	Achieved	Maintained	Maintained	Maintained	Maintained
Target	Achieved	Maintained	Maintained	Maintained	Maintained

Renewal of our annual certification

Reputational only (met)

How we've done

We've met our target again this year by maintaining our accreditation and the annual audit undertaken by the British Standard Institute ('BSI') identified zero non compliances.

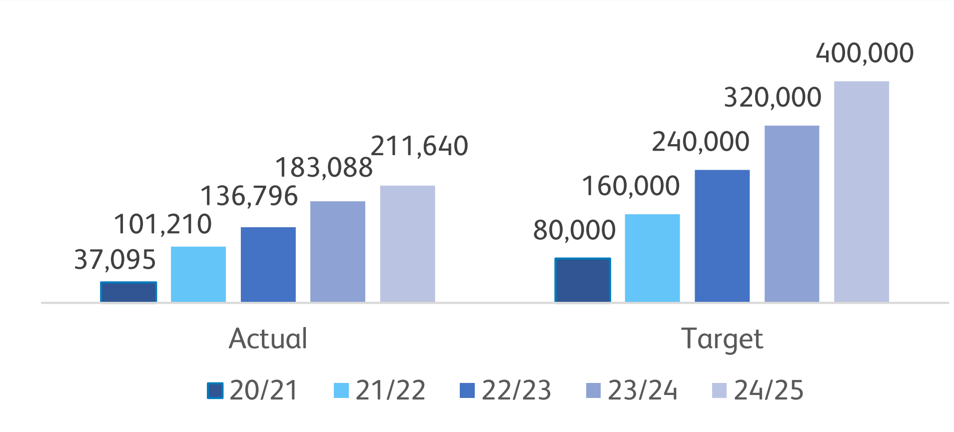
In order that our service is accessible to all, we committed to achieving and then maintaining the BSI's vulnerability standard BS1847 throughout the AMP period. Last year, we upgraded the standard to International Standards Office ('ISO') 22458.

We've maintained our approach to providing an inclusive service, ensuring our policy is correctly implemented into standards, working instructions and training materials, and then monitored with quality management.

What we're doing to improve performance

We won't be measured on this performance commitment in AMP8, but will continue to work to the same standard and maintain our certification.

Proactive customer engagement *AWS02*



The number of times we pro-actively contact customers in the year

A greater number is better

Reputational only (not met)

Defined activities	2023/24	2024/25
Smarter Water Home Visits	4,586	5,036
Smarter Water Business Visits	1,760	2,824
Wastage	448	648
GreenRedeem	392	153
Proactive Smart CSL Repairs	3,491	3,764
LAHA Visits	_	_
Proactive Lead Pipe Replacements	12,300	527
Total	22,977	12,952

Additional activities	2023/24	2024/25
School Visits	39	_
NHH Fats, Oils and Grease (FOG) Visits	13,244	11,281
BIDBI/ GreenRedeem	3,946	_
Fat trap requests	6,086	4,320
Digital - Smarter Home Visits	_	_
Digital - Education Visits	_	_
Digital - Portal Engagements	_	_
Total	23,315	15,601

Total activities this year	46,292	28,553
Total activities in the AMP	183,088	211,640

How we've done

Turnaround reprioritisation reduced our ability to meet our start of AMP forecast, and we've missed our target again this year. We've completed an analysis of current engagement activities.

Demand reduction activities, such as Smarter Water Home Visits and Smarter Water Business Visits, continue to progress, but we have not completed our Digital Engagement Portal.

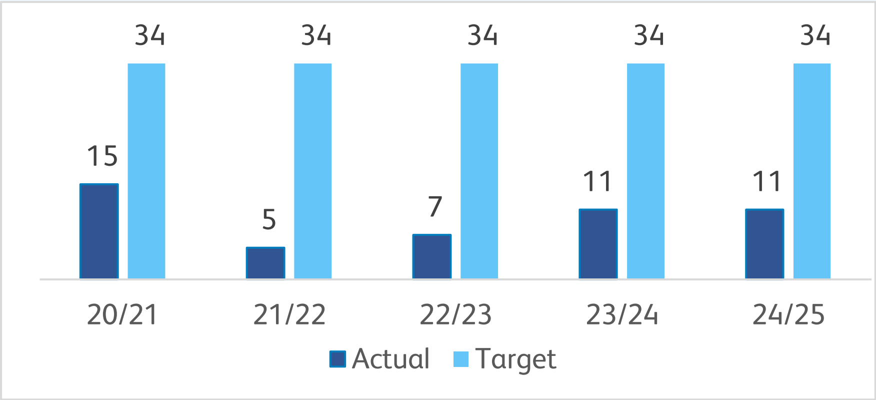
What we're doing to improve performance

We won't have this performance commitment in AMP8. We expect to see incremental improvements as part of our turnaround plan, but this is not currently an area with direct focus due to budget constraints.

Notes on engagement activities

- Net Promoter Score ('NPS'): We're not able to calculate the NPS due to system changes.
- Local Authority Housing Associations ('LAHA') visits were discontinued after 2020/21.
- The GreenRedeem scheme motivates our customers to reduce water consumption, through behaviour change, by winning prizes, donating to charities and redeeming gift cards.
- Bin it don't block it ('BIDBI') campaigns encourage customers not to dispose of fats, oils and grease in our drains.

Properties at risk of receiving low pressure *BW07*



How many properties are receiving, or at risk of receiving a low pressure supply (nr.)

A smaller number is better

No penalty (met)

How we've done

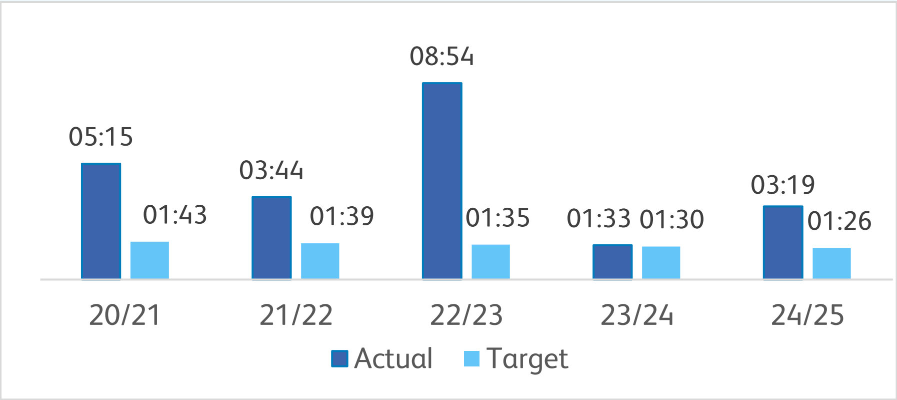
We've met our target again this year and shown resilience to heatwave conditions. This completes above target performance across the whole AMP.

We've continued embedding our early investigation model and improving our alarm management through better data dashboards. There have been no other significant impacts internally.

What we're doing to improve performance

We won't be measured on this performance commitment in AMP8, but we'll continue to monitor properties at risk of receiving low pressure. Our strategic approach this AMP has focused on sustainable, long-term solutions to any properties which means that the properties do not return onto the register.

Responding to major trunk mains bursts *BW11*



Average number of minutes customers are without water because of a burst (mm:ss)

A smaller time is better

Reputational only (not met)

How we've done

We've missed our target this year, with one major incident at Crystal Palace in London. Our response to a flooded pipe access shaft caused a build up of system pressure, which led to a burst on an 18" trunk main. Crystal Palace is a difficult operational area to manage as supplies cannot easily be rerouted, and the topography limits rerouted supplies reaching the highest properties. We incurred 2:31 minutes of impact from this incident alone, over two thirds of the year's total, with the incident lasting up to 4 days for some high ground customers.

There's been no significant changes in resourcing or systems this year, but we've seen ongoing benefits from our strategic approach for the AMP and improvements already made.

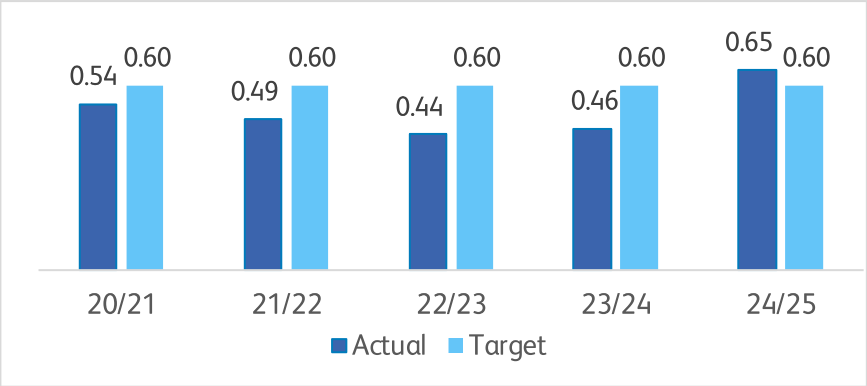
What we're doing to improve performance

We won't be measured on this PC in AMP8, but our network resilience and incident response strategy will both remain important.

Notes on this measure

- Incidents in scope are categorised as lasting for three hours or more.
- Trunk mains are our largest network pipes.

Acceptability of water to consumers *BW08*



How many times customers have contacted us about their water per 1000 population

A smaller number is better

Penalty: £0.099m (not met)

How we've done

We were expecting to maintain our successful AMP to date performance, but we've missed our target this year due to a significant increase in 'illness' category contacts received. External factors have had the largest influence on our performance, but we had a strategic pumping issue in South Ealing, pumping air into the network, which caused a spike in queries about 'appearance'. 'Taste and odour' contacts have also increased.

The increase in 'illness' contacts followed the South West Water cryptosporidium incident in May and fears of a similar event unfolding in South East London, but thorough sampling showed that there was no evidence of our water causing any illness.

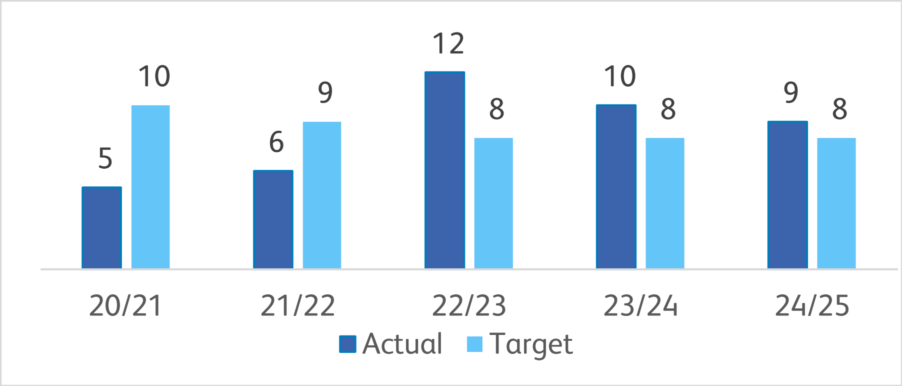
What we're doing to improve performance

We'll continue to have this performance commitment in AMP8.

Regular performance and improvement action reviews are in place to identify areas for immediate improvement both reactively (event response) and pro-actively (call reductions).

A customer acceptability strategy is being developed to further improve performance, management oversight and control. This will be refreshed each year, and a governance framework introduced to drive lasting contact reductions.

Number of water quality events *BW09*



Water quality events impacting customers categorised as 3, 4 or 5 by the DWI (nr.)

A smaller number is better

Penalty: £0.036m (not met)

How we've done

We've missed our target again this year although we have one less event than in 2023/24. Most events have been large-scale losses of supply.

There's been a significant increase in media scrutiny of drinking water quality which may have increased the categorisation of a number of these events.

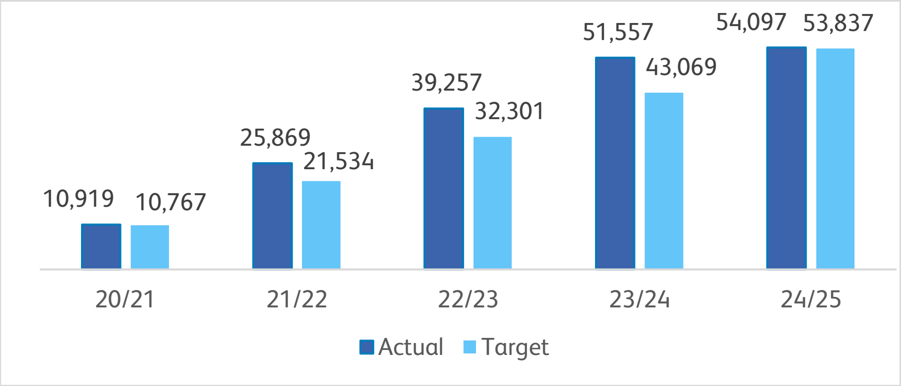
What we're doing to improve performance

Water Quality is a key priority within our improvement plans for AMP8. Our SCP and turnaround plan outline the key changes we want to make, and these improvement activities should see a correlated improvement in the number of water quality events.

Notes on this measure

- The criteria applied are subject to DWI assessment which can change. The DWI have not concluded assessment for all events so there is a small possibility that our performance figure may change.
- Category 3 = Significant, Category 4 = Serious and Category 5 = Major.

Reducing risk of lead *BW10*



Cumulative number of lead communication pipes replaced in the 2020/25 period

A greater number is better

Reward: £0.026m (met)

How we've done

We've exceeded our target and delivered an accelerated programme of lead replacement work this year.

We've overcome challenges, such as adverse weather and planning constraints from local authorities.

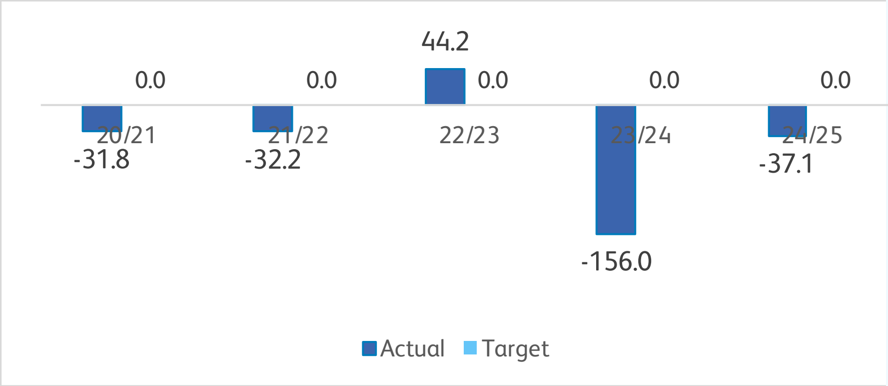
What we're doing to improve performance

We'll continue to have a lead replacement programme in AMP8.

Processes and systems will continue to be developed to improve both the quality and consistency of our work, such as through introducing an internal delivery mechanism and better data availability.

We're working towards implementing a dynamic water quality impact assessment to become more agile in prioritising where we target pipe replacements.

Abstraction incentive mechanism ('AIM') *EW01*



Abstraction from environmentally sensitive sites when levels are low (ML/d)

A greater negative amount is better

Reward: £0.0009m (met)

How we've done

We've outperformed our target again this year after a second year with above average rainfall and milder temperatures resulting in higher water levels so less need to abstract water to meet customer demand.

AIM was not switched on at four out of five sites as flows were not low enough to reach the trigger values. Where AIM was switched on at Axford, we managed to comply with the constraint overall which gave us a score of -37.1.

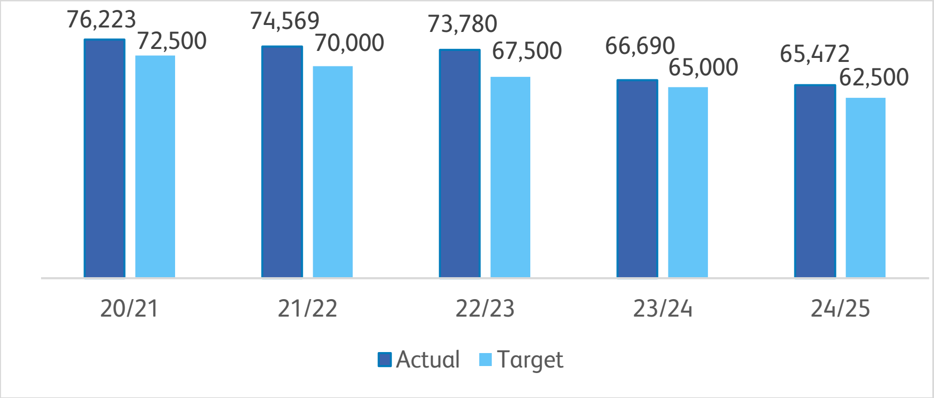
What we're doing to improve performance

We'll no longer be measured against this PC in AMP8.

Notes on this measure

- We've included five sites in this measure: Pangbourne groundwater source, and the pumping stations of New Gauge, Axford, Pann Mill, and North Orpington.
- We've reduced our Pann Mill licence through a sustainability initiative so it will not trigger AIM now, but it remains in the PC at Ofwat's behest.

Clearance of blockages *CS04*



Blockages we've cleared from the sewer network

A smaller number is better

Penalty: £4.170m (not met)

How we've done

We've missed our target again this year although we've continued to improve our performance and maintain the downward trend seen throughout the AMP.

A key driver behind overall improvement this year has been the optimisation of our planned maintenance and blockage hotspot programmes, which have seen a 16% increase in the length of sewers cleaned and 100% increase in the length of small diameter sewers cleaned near residential properties.

Sewer depth monitor installations, interceptor removals, and customer education completed earlier in the AMP continue to maintain their benefits.

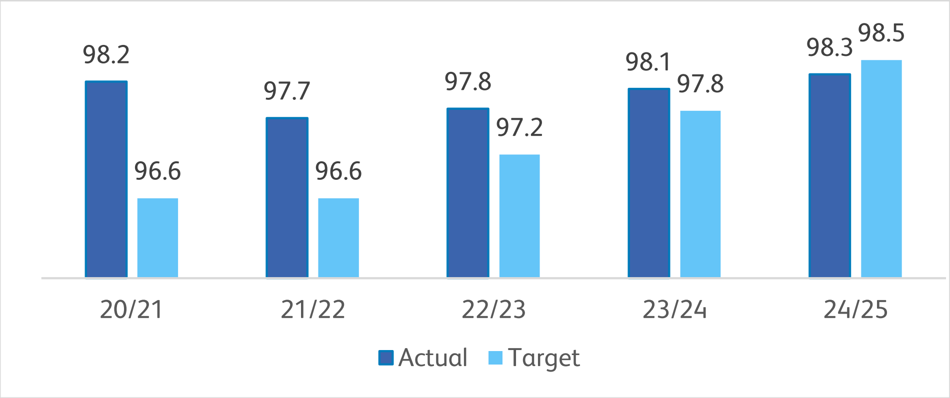
Higher rainfall has remained a challenge for a second year; debris washed into the network during storms increases the risk of blockages.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8, but we'll continue to monitor the number of blockages for other purposes, such as reporting to the Consumer Council for Water ('CCW').

Further performance improvements are expected to be driven by a new Targeted Catchment Investigations ('TCI') programme.

Sewage pumping station availability *CS05*



Average % of pumps available for use in our sewage pumping stations ('SPS')

A greater % is better

Penalty: £0.200m (not met)

How we've done

We've missed our target by a small margin this year despite improving our performance for the third consecutive year. Continuous improvement processes have been delivered throughout the AMP to enhance asset performance and increase availability.

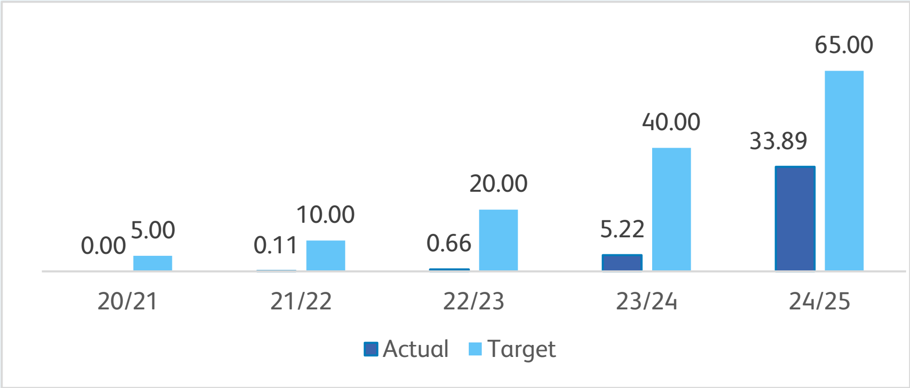
We've implemented more insightful reporting to better understand our assets, their performance and their vulnerabilities. This helps us to target maintenance and reduce risk. We've also refined our performance reporting to make sure non-compliant sites are processed correctly.

Rising main bursts increased this year, therefore more SPS assets had times of being unavailable. There's also been a notable rise in the severity and frequency of extreme weather events during the AMP, which can overload our system and increase power failures, as well as putting pressure on operational resourcing.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8, but investment programmes are in place to increase our asset resilience for both SPS and rising mains. We'll continue to monitor this measure internally as a lead indicator for asset availability and pollution prevention.

Surface water management *DS02*



Area (in hectares) where surface water is disconnected from the public sewer system

A greater area is better

Penalty: £1.742m (not met)

How we've done

We've missed our target for the AMP programme due to focusing on other programmes over the past three years, along with being impacted by delivery challenges and the unprecedented Covid-19 'lockdown'. Many schemes were delayed until the final year of AMP7, with 80% of the expected hectares delivered this year.

Our delivery partners have included local authorities, highways agencies, charities and schools, all with changing levels of resources and governance. We've experienced significant delays in project delivery due to delayed planning and legal outcomes. We've also seen delays in partners providing scheme completion evidence.

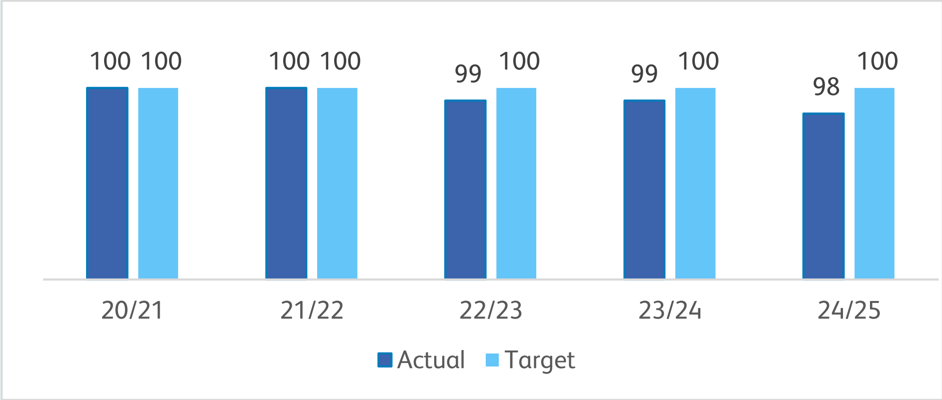
Global construction cost increases over the AMP meant that some schemes became unviable or delivered a reduced area. Contractor and local authority staffing levels have been lower than anticipated. Wet weather has also added to delays this year.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8.

However, the programme has developed and tested new ways of delivering Sustainable Urban Drainage Schemes ('SuDS') in partnership. We'll take forward our learnings into AMP8 to apply to other partnership work.

Security of supply index ('SoSI') *DW02*



Our ability to maintain a water supply, particularly during a drought

A greater score is better

Penalty: £0.448m (not met)

How we've done

We've missed our target for the third year due to an increased deficit in the SWOX area. There's also a deficit in SWA. Demand and leakage continue to be high in these areas.

Demand and leakage continue to be higher than expected, despite wet and mild weather. SWA zone is no longer in surplus due to demand and leakage increasing again over the past year, but risks are being monitored closely.

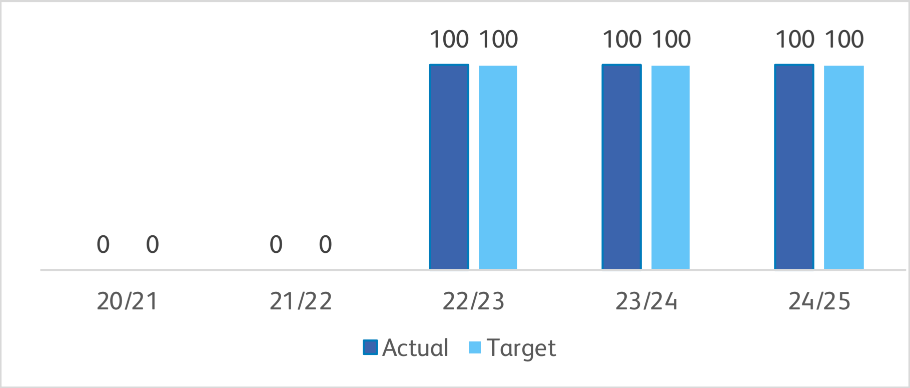
What we're doing to improve performance

We'll no longer be measured against this PC in AMP8.

Notes on this measure

Our WRMP24 builds on our current plan ('WRMP19') and reflects the wider South East Regional Plan. It sets out how we'll keep taps flowing over the next 50 years, looking ahead to 2075.

Drainage and wastewater management plan *DWMP*



Cumulative % completion of our DWMP in line with Water UK guidelines

A greater % is better

Reputational only (met)

How we've done

We've been 100% complete on our Drainage and Wastewater Management Plan ('DWMP') since we published it on 31 May 2023. We had a regulatory extension from our original publication date in order to encompass the latest guidance on Storm Overflows.

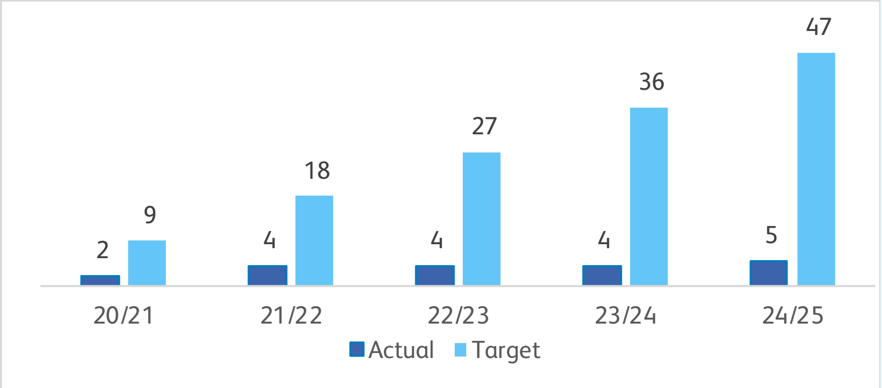
Alongside our DWMP, we've published an accompanying document detailing how DWMP interventions are supported in our PR24 submission.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8.

We're continuing to work with our regulators (DEFRA, EA, and Ofwat) to discuss the remit of the next iteration of DWMP, known as cycle two. Our regulators expect to see a broader view of wastewater infrastructure requirements for the next cycle.

Power resilience *DWS01*



Cumulative number of our key sites that we've made resilient to power disturbances

A greater number is better

Penalty: £9.958m (not met)

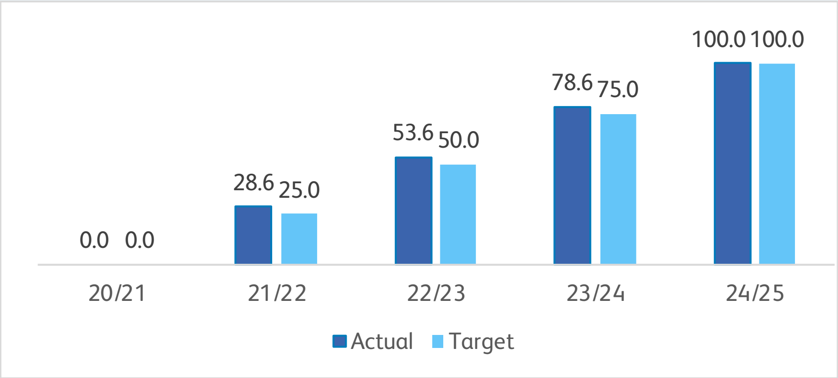
How we've done

We've missed our target for this year and the AMP, because funding for this programme was reallocated in March 2022 and no further projects have been delivered since this date except for upgrading an additional sewage pumping station this year.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8, but power resilience will be part of a new climate change resilience programme monitored by Ofwat. Improving our power resilience will be crucial to improving our performance on other PCs, such as Pollutions.

Securing our sites (2020-25 projects) *DWS02*



% of 28 borehole sites we have made SEMD compliant, as agreed with DEFRA

A greater % is better

No penalty (met)

How we've done

We've met our AMP target by making 100% of the sites compliant.

We've overcome challenges such as site and asset accessibility, synchronisation with other site upgrades, availability of specialist resources, supply chain lead times, significant cost inflation and fluctuating availability of certain components.

What we're doing to improve performance

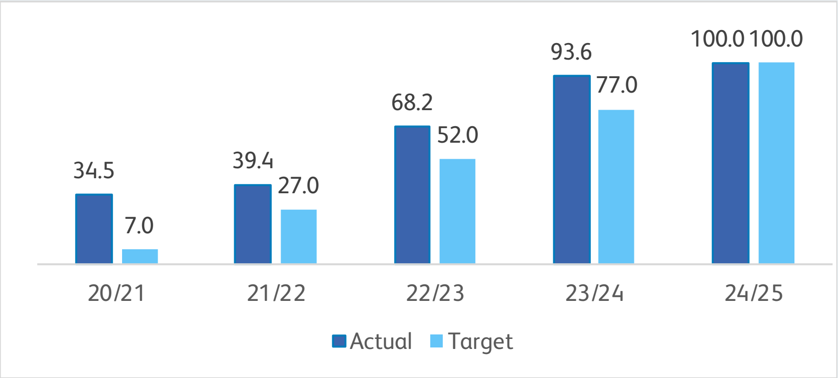
We'll no longer be measured against this PC in AMP8, but we'll have a new SEMD programme that will be monitored by Ofwat within a new incentive framework.

We'll build on the learnings from this AMP, particularly in ensuring a collaborative planning and working approach is maintained. We'll aim for early procurement and early supply chain engagement to minimise delays. We'll use existing frameworks and standards whilst checking that the most efficient approach to work is followed.

Notes on this measure

The Security and Emergency Measures Direction ('SEMD') is legislation that requires undertakers to maintain their water supply and sewerage system security and resilience.

Securing our sites (legacy projects) *DWS03*



% of 264 AMP6 sites we have made SEMD compliant, as agreed with DEFRA

A greater % is better

No penalty (met)

How we've done

We've met our AMP target by making 100% of the sites compliant.

This work is managed alongside our other SEMD PC so its performance drivers are very similar.

It's been a sizeable programme to complete. In order to minimise disruption to site processes, the SEMD programme is aligned with planned maintenance and inspection outages to simultaneously use the outages for installation work.

What we're doing to improve performance

We've completed all of our legacy projects so we'll no longer be measured against this PC in AMP8, but we'll have a new SEMD programme that will be monitored by Ofwat within a new incentive framework.

Counters Creek *CC*

Understanding the risk of flooding and level of resilience within the catchment

This measure is either completed or not yet complete

Reputational only (met)

How we've done

We met the target by completing the required study. We submitted it to Ofwat on 26 July 2023 in advance of the deadline and published the report on our website for our customers and stakeholders.

Our report was reviewed by the London Borough of Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea and an independent assurer.

To date, we've invested over £17 million in the area with 954 properties surveyed, anti-flooding devices installed protecting 265 homes and other network devices installed protecting 721 homes.

What we're doing to improve performance

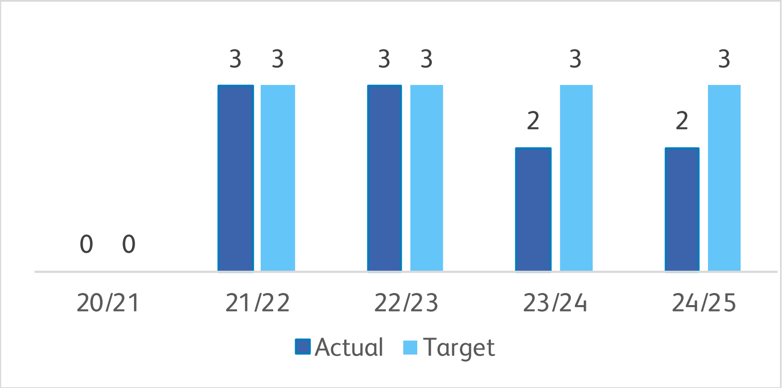
We will continue to focus on managing long-term resilience and reducing the flood risk to our customers. Full details can be seen in Section 3 of the report and its appendices.

Notes on this measure

Counters Creek was a river that ran through London. It rose north of Kensal Green and joined the tidal Thames south of the old Cremorne Gardens. The watercourse was incorporated into the sewer system in the late 1800s.

The London sewer system does not have a conventional branch-like structure and therefore flow routes can vary depending on rainfall locations and intensities.

Smarter Water Catchments *EWS02*



Delivering smarter water catchments initiatives (nr.)

A higher number is better

Penalty: £0.811m (not met)

How we've done

We've missed our target, because only two out of our three catchments have all of their work completed this year. Delayed delivery of four phosphorus schemes within the WINEP programme is having an impact on a milestone within the Evenlode catchment plan; more details can be seen under our WINEP PCs.

Longer than expected construction time has also led to the non-delivery of one wetland milestone within the Evenlode catchment plan. However, we've progressed this project as far as possible within the allocated timeframes.

The non-delivery of outputs within the Evenlode plan has caused stakeholder dissatisfaction. However, relations within the partnership have improved over the past year.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8, but we plan to continue delivering initiatives for the existing catchments and potentially expand into similar work for other catchments, using our learnings from this PC. For example, we've announced a £1.8 billion scheme to improve river health in London.

Unregistered household properties *ER01*

Implementation of a robust process to identify households that are not being billed

This measure is either completed or not yet complete

No penalty (met)

How we've done

We've achieved this again by maintaining, refining and improving the process implemented last year. We've also continuously reviewed the quality of data returned from our digital partner throughout the year.

We've introduced an occupier scoring matrix into the process which provides an increased confidence level for our data. In turn, this helps us prioritise high confidence leads which are likely to need billing. We've also improved our data to exclude any leads we've already reviewed and to enable the purchasing of occupier details.

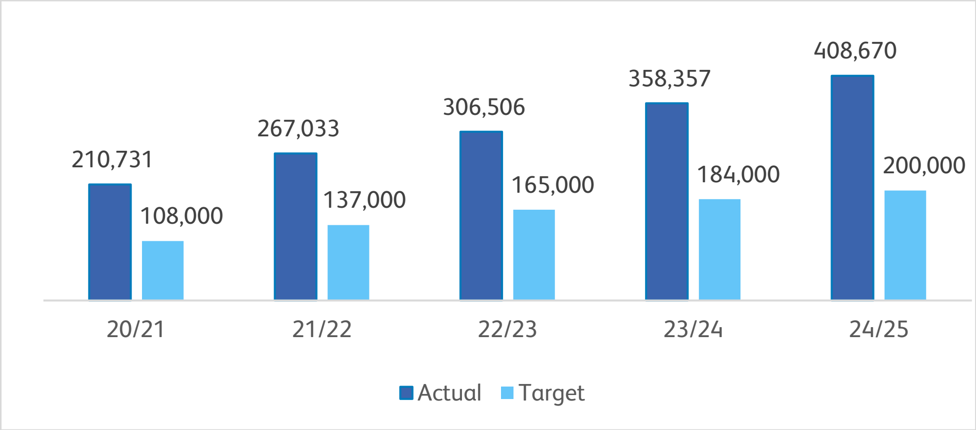
All of these improvements will increase cash collection, reduce bad debt, reduce complaints and enhance process efficiency and the response rate from customers.
Our process is now fully embedded with regular sampling and monthly reviews of our whole property base. Potentially unregistered properties have reduced from 46,000 to 36,000 during the year and an additional 2,000 properties are receiving bills, showing that our process and controls are effective.

In November 2024, we won Best Outsourcing & Partnership Initiative of the Year award at the Collections & Vulnerability Awards 2024 for the work we've completed with our data partner for this performance commitment. Additionally, our process has been adopted by other water companies as it's become recognised as best practice.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8, but we'll continue with the effective process and resourcing that we've implemented during AMP7 for identifying unregistered household properties.

Households on our social tariff *ER03*



The number of households receiving support from our social tariff

A greater number is better

Reputational only (met)

How we've done

We've achieved double the expected number of households again this year, and met our target, completing the strong performance and steady growth shown throughout the AMP for this measure.

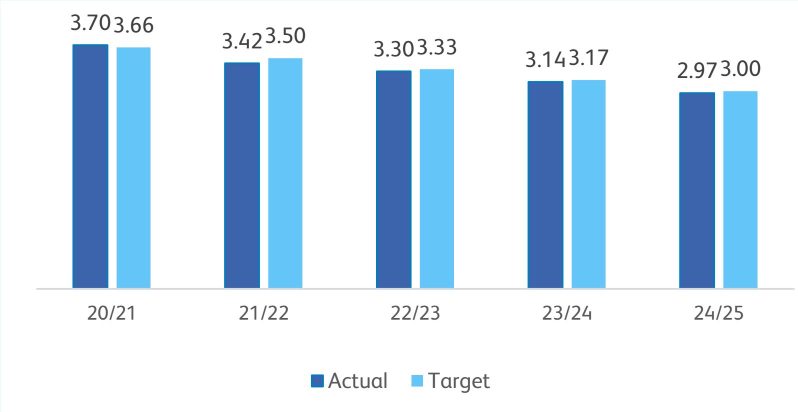
This year, we changed the eligibility criteria of our social tariff, closing the 'low income' criterion and using the 'water poverty' criterion only. Last year's period of operating with dual criteria led to unsustainable growth, and this year has returned to more typical growth.

Customers have been more aware of financial support due to the cost of living crisis. As we moved into the annual billing period, the expected price rise has also led to greater engagement and requests for support.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8, but our payment support to customers will continue.

Empty household properties *ER02*



% of empty household properties in our billing system

A smaller % is better

Reward: £0.231m (met)

How we've done

We've met our AMP target again, completing a full AMP of strong performance against an increasingly challenging target. To achieve this, we've made some fundamental changes to our empty households management process.

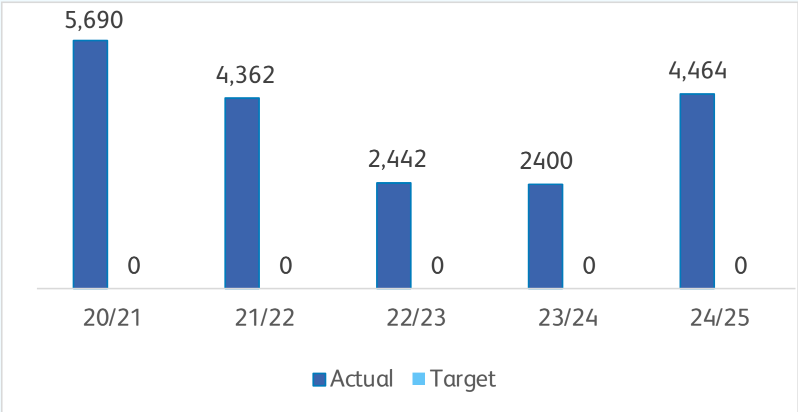
We started the year by developing a new voids strategy to gain more senior support and increased awareness of the process complexities. The strategy has evolved throughout the year, taking advantage of increases in data insight and system improvements. We've also identified over 40,000 long-term empty properties, completed process automation opportunities, shared best practice and enhanced our reporting.

Our understanding of our base population, key change drivers, customer impacts and overall performance has improved year-on-year through the AMP, informing our ways of working and focus. We've also implemented a no back-billing policy and protection to customer credit ratings to reduce the impact on customers and encourage engagement with our processes.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8, but we'll continue to build on the process improvements implemented during AMP7 and closely monitor customer behaviour changes driven by potential bill increases and the media scrutiny on the water industry.

Empty business properties *EWS08*



The number of properties billed that were previously listed on our system as empty

A greater number is better

Reward: £0.509m (met)

How we've done

We've met our target again, completing good performance on this measure throughout the AMP.

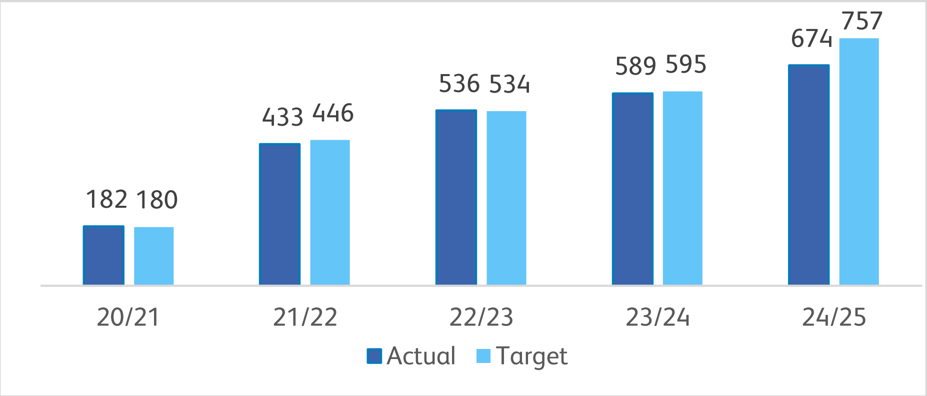
This year, we onboarded a specialist contractor to better target void (empty) properties alongside our dedicated Customer Incident Response team. This has resulted in more visits being completed with higher conversion rates, as well as more refined processes and better data.

Covid-19 had the biggest impact on void properties earlier in the AMP; we worked closely with Retailers to establish which of the many businesses temporarily closed were truly empty and reduce the Covid-19 impact to 2% of all commercial properties marked as void (empty).

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8, but we'll continue our work to identify unbilled businesses.

Environmental measures delivered *ES02*



Cumulative number of completed "green" status schemes from the WINEP as at 1 April 2019

A greater number is better

Penalty: £4.258m (not met)

How we've done

We've missed our AMP target as we haven't completed all of the expected schemes of work; some schemes have been deferred into AMP8.

Challenges to delivery and changes in budget during the year, along with earlier in the AMP, have necessitated re-phasing the planned schemes. We've prioritised the acceleration of compliance-related activities, allowing for faster achievement of scheme compliance.

A second year of higher than average rainfall led to elevated flow levels, flooding, and health and safety concerns at several sites, resulting in delays to ongoing projects. Increasingly extreme weather impacted performance throughout the AMP period, along with Covid-19 temporarily halting the programme and regulatory requirements changing. These factors have led to adjustments in scope and increased complexity, causing substantial cost escalation.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8, but Ofwat have established new mechanisms for incentivising completion of WINEP schemes.

WINEP delivery *NEP01*

Whether we have delivered our WINEP

This measure is either delivered or not delivered

Reputational only (not met)

How we've done

We've missed our target as we have not delivered all the expected schemes in the WINEP this year.

This performance commitment is managed alongside ES02, so the factors impacting our performance will be the same, along with the improvements planned for the year ahead.

What we're doing to improve performance

As with ES02, we'll no longer be measured against this PC in AMP8, but Ofwat have established new mechanisms for incentivising completion of WINEP schemes. All non-delivered schemes from AMP7 are in a bespoke AMP8 programme, with a particular focus on completing the phosphorus removal schemes.

Other planned improvements include the restructuring of governance, better planning for early start activities, better organisation of engineering delivery partners, a site-based planning approach for streamlining delivery of all schemes at a given site, new reporting and enhanced performance control through a newly established project management team. Our restructuring into regional areas is expected to further enhance our WINEP efficiency, by streamlining operations and enabling more targeted, localised management of projects.

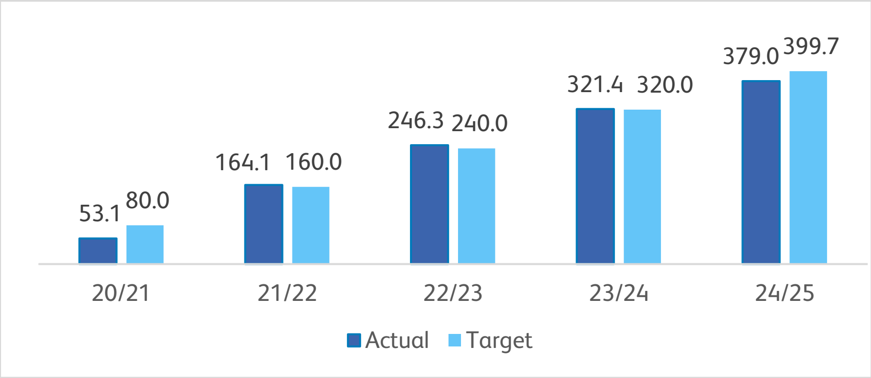
Notes on this measure

The Water Industry National Environment Programme ('WINEP') is a list of actions that DEFRA has requested all water companies complete in AMP7 to contribute to meeting their environmental obligations.

ES02 provides the number of WINEP schemes completed, but our performance on this PC is either 'met' or 'not met'.

This PC considers the current WINEP agreed with the EA, whereas ES02 measures the programme originally set out in PR19.

Installing new smart meters *M01*



Cumulative number of new, smart meters that we have installed in London since 1 April 2020 (in thousands)

A greater number is better

Penalty: £0.767m (not met)

How we've done

We've missed our AMP target as we haven't installed as many meters in London as we originally planned. However, we've over-delivered on optants and we've led the industry on increasing smart meter installations.

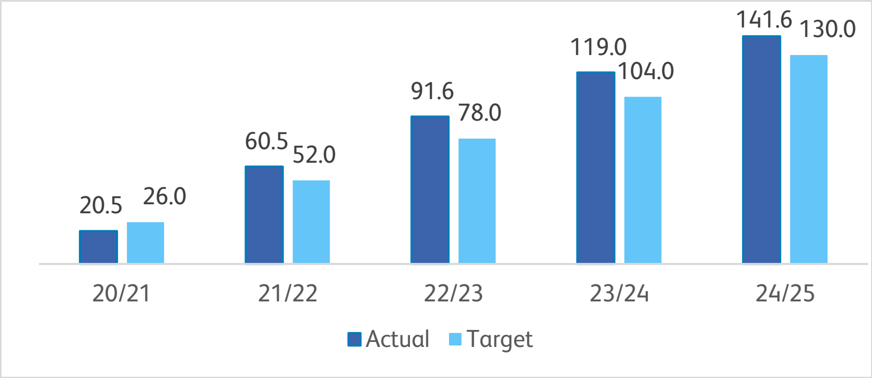
Since Covid-19, we've seen greater network pressure from leakage hotspots in TVHC, reduced security of supply in TVHC and higher summer demand in TVHC than London. Consequently, our metering programme shifted away from those in scope for this PC. We believe that this was in the best interests of customers and the environment. However, we experienced nearly a two-year delay in the delivery of components from a new supplier for metering in TVHC, so our focus returned to London, allowing us to recover most of our planned programme for this measure. We also overcame the global shortage of microchips earlier in the AMP.

Customer applications for smart meters remain high, likely due to the cost of living crisis and increased media focus on the water industry's performance. However, our metering programme is driven by enabling greater leakage detection and demand reduction.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8, but Ofwat has established a new mechanism for tracking our smart metering programme with increased scope across both London and TVHC.

Replacing existing meters with smart meters *M02*



Cumulative number of basic meters replaced with smart meters in London since 1 April 2020 (in thousands)

A greater number is better

Penalty: n/a (met)

How we've done

We've outperformed against our AMP target despite similar operational challenges to our M01 performance commitment.

London is no longer our most water-stressed region, but we've prioritised meter replacements over new smart meter installations.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8, but Ofwat has established a new mechanism for tracking our smart metering programme with increased scope across both London and TVHC. We've reprioritised our installation profile to maximise delivery in Years 1-3.

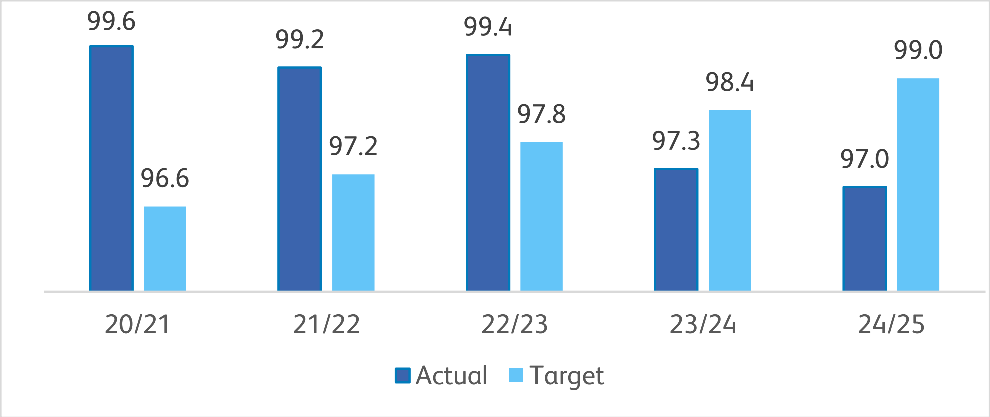
Notes on this measure

Both of these metering programmes are restricted to our London area.

A smart meter is one that uses advanced metering infrastructure ('AMI') to be read remotely. Customers can then be billed for the exact amount of water used.

A basic meter is an existing meter installed in the Thames Water network prior to 1 April 2020 without smart meter capability.

Sludge treatment before disposal *ES03*



% of sludge that we treat before disposal

A greater % is better

Penalty: £0.826m (not met)

How we've done

Our current performance and availability of sludge treatment assets remains below what we aim to achieve and we've missed the target again this year.

The main issue has been the requirement to increase our digester inspection and refurbishment programme to comply with statutory regulations. We don't have enough trained personnel for maintaining our advanced anaerobic digestion plants, so down time is greater than it should be.

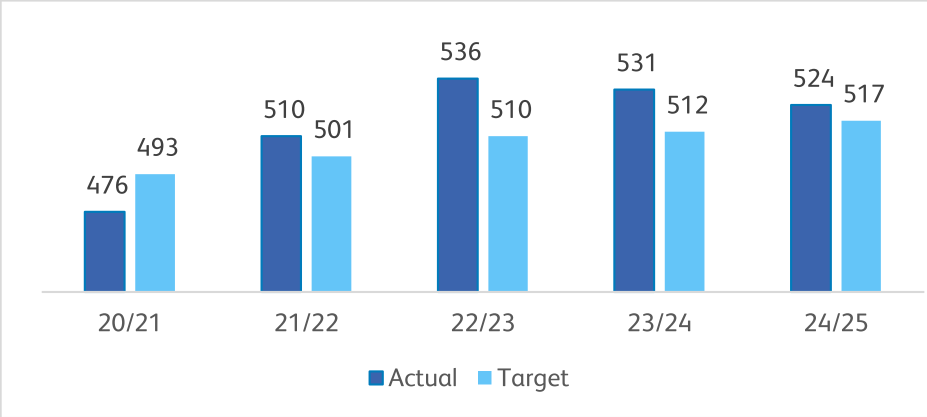
There's been a moderate impact from the wetter weather as it has restricted access to our agriculture outlets for sludge at times, reducing our ability to maximise throughput and storage.

The increase in assets being taken out of service to enable statutory inspections, as well as some major treatment centres not performing as designed, has resulted in some capacity issues. Interventions to resolve these have been identified and are currently being progressed.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8, but we'll continue to aim for optimisation of our sludge treatment and disposal methods.

Renewable energy produced *EWS03*



Amount of renewable energy produced (in GWh)

A greater number is better

Reward: £0.564m (met)

How we've done

We've performed strongly again this year and we've exceeded our target again.

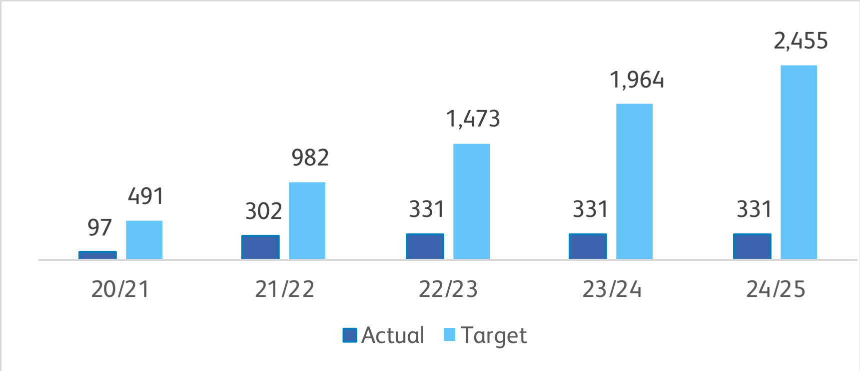
There's been operational challenges at three of our largest sites; digester outages and lower biogas availability at Mogden STW resulted in a loss of c.15.6 GWh, Deephams biomethane plant has been running intermittently since October due to heavy rain and flooding with a loss of c.12 GWh and Beckton sludge powered generator ('SPG') turbine failed and needed replacement, costing c.9.2 GWh in lost renewable energy generation.

Over the AMP, prioritising biogas in boilers to produce renewable heat has had positive results, offsetting reduced solar energy from changes to our photovoltaic ('PV') development plan. We've also adapted to changing demographic and work patterns since Covid-19, to maximise energy recovery from our sludge operations through different routes where possible. Some of our smaller sites have seen an over-abundance of sludge, but are not capable of producing renewable energy.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8, but we'll continue our focus on producing renewable energy as it's good for the environment and provides additional revenue into our business.

Enhancing biodiversity *EWS01*



Number of natural habitats we've created and enhanced on our 253 sites of Biodiversity Interest

A greater number is better

Penalty: £0.057m (not met)

How we've done

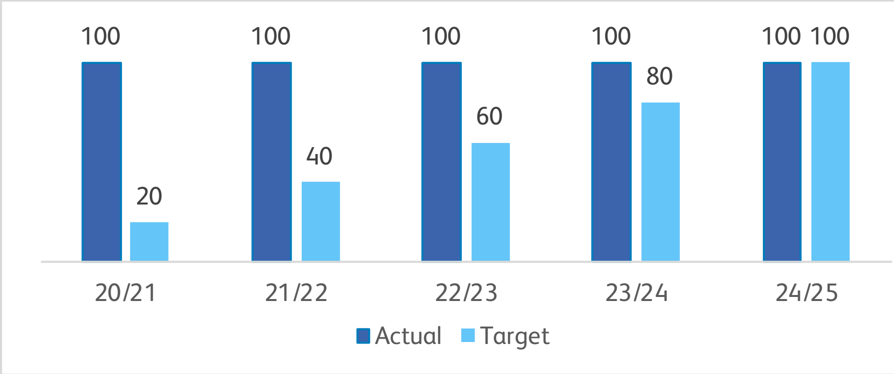
We've missed our AMP target for this PC as, while we continue to support nature recovery, with limited funds available we chose to prioritise other programmes of work.

This PC also included a target for reservoirs (heavily modified waterbodies) which proved unachievable as these have limited if any opportunity for biodiversity enhancement. We proposed removing these waterbodies from the baseline through Ofwat's corrigenda process. In April 2024, Ofwat rejected our request stating "we are not satisfied that the proposals represent a material improvement to the PR19 PC". We disagree with Ofwat's response as approximately 70% of our target biodiversity units relate to these habitats.

What we're doing to improve performance

We've got a new biodiversity PC in AMP8 so this provides us with new opportunities to conserve and improve biodiversity and access to nature for our customers and local communities.

Natural Capital Accounting *EWS04*



% of landholdings where natural capital stocks are assessed and reported publicly

A greater % is better

Reputational only (met)

How we've done

We've maintained the 100% that we achieved in Year 1. Annual reassessments each year have shown that the Year 1 assessment still stands.

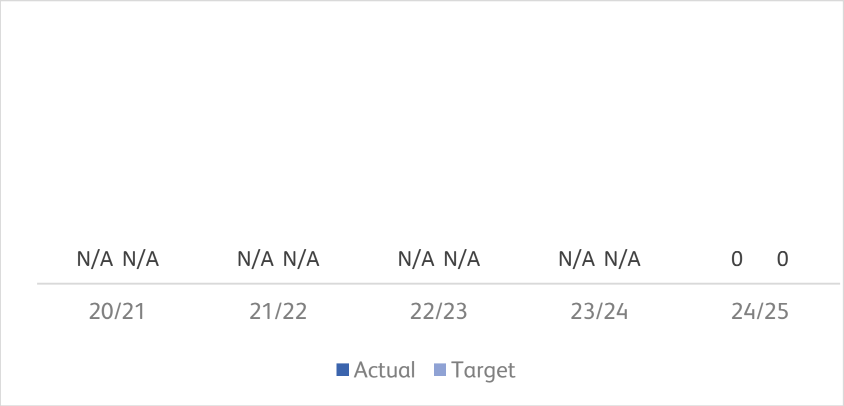
Flexible, innovative and proactive planning enabled this performance commitment to be successfully delivered.

We front-ended work to complete the numerical component of the performance commitment in Year 1 and have since developed natural capital assessment tools to inform business decisions. These tools have been used across several business functions including Smarter Water Catchments and Biodiversity. We hope to further roll out these natural capital assessment tools to support our stage gate approval process for assessing asset investment projects.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8, but we hope to embed natural capital principles into the AMP8 stage gate process, along with WRMP29 and DWMP29 planning processes.

TTT Readiness of Beckton STW *ET01*



The number of months of delay to Beckton STW being ready to receive TTT flows

A number other than zero would indicate a delay to being ready

No penalty (met)

How we've done

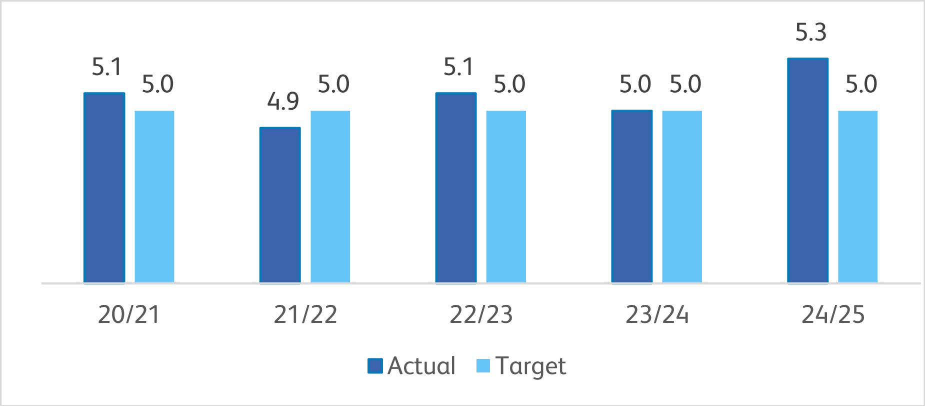
We've met our AMP target and work was completed in January 2025 in line with the revised timescales for the Thames Tideway Tunnel ('TTT').

Work was initially limited by Covid-19 at the beginning of the AMP and supply chain capacity has continued to be a concern. We've kept on track by closely monitoring the performance of our contractor and pro-actively escalating construction and operational issues arising during the year.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8 as the TTT is now complete.

TTT Effective stakeholder engagement *ET02*



How well we are engaging with our stakeholders

A greater score is better

Reputational only (met)

How we've done

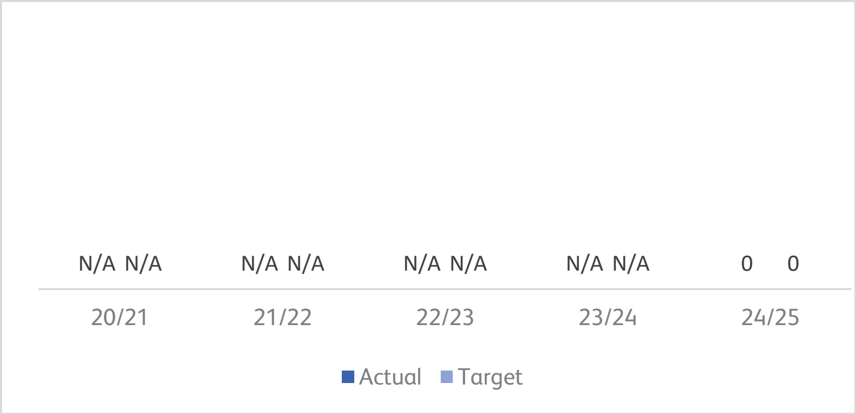
We've met our target, reflecting successful external stakeholders reviews during the critical period of the TTT going live. This completes strong performance throughout the AMP as we adapted our stakeholder engagement accordingly with differing phases of the project.

We've overcome changes to project parameters and target dates driven by programme delays. We've been successful by understanding all parties' requirements.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8 as the TTT is now complete, but we'll continue to work closely with Ofwat and our stakeholders during the system acceptance phase and monitor the success of the major project.

TTT Critical asset readiness *ET04*



How ready our infrastructure is for the TTT

A number other than zero would indicate a delay to being ready

No penalty (met)

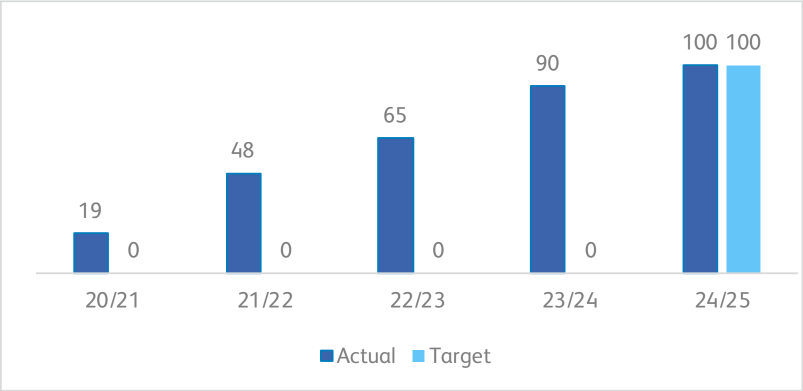
How we've done

We've met our AMP target for this performance commitment by delivering the project on time, reflecting the wider success of our TTT delivery.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8 as the TTT is now complete, but we continue to work closely with Ofwat during the system acceptance phase and monitor the success of the major project.

TTT Effective system operator *ET05*



Our % readiness to operate the TTT when it is commissioned

A greater % is better

Reputational only (met)

How we've done

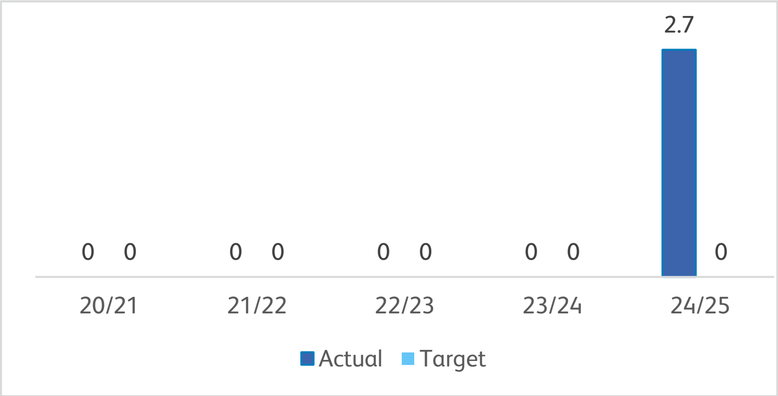
We've met our target as all TTT deliverables in scope were completed successfully ahead of the TTT becoming operational.

We overcame resourcing challenges and the system operator is ready for commissioning and has suitable quality management systems in place.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8 as the TTT is now complete, but we continue to work closely with Ofwat during the system acceptance phase and monitor the success of the major project.

TTT Maximising value of land sales *ET06*



Net profit or loss made on the sale of land related to the TTT

A greater positive amount is better

Reputational only (met)

How we've done

We've only sold one of the twelve parcels scheduled to be sold during the period due to the delay in commission. We've adjusted the baseline given significant changes to the market post-Covid-19 and the land parcel was sold at a profit of £2.7 million. All proceeds from land sales are returned to our customers.

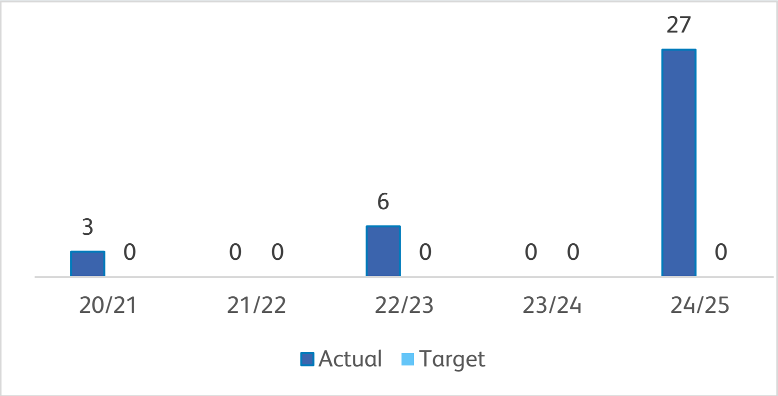
The sales were impacted by programme delays associated with the Tideway construction programme and negotiations with third party stakeholders. We'll continue to pursue selling the other land parcels at a profit during AMP8.

The baseline was re-established as part of PR24 analysis.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8 as the TTT is now complete.

TTT Managing early hand back of land *ET07*



How prepared we are to receive land back from Bazalgette Tunnel Ltd

A greater positive number is better

Reward: £0.540m (met)

How we've done

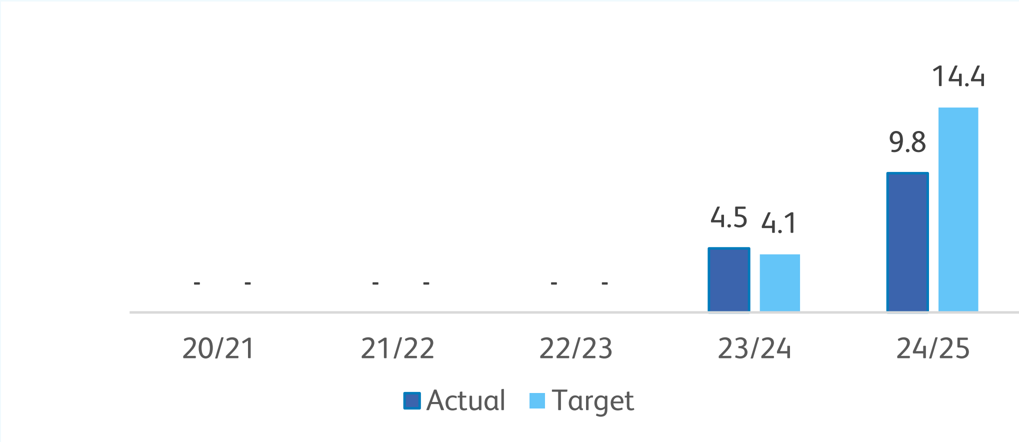
We've met our target as we were able to accept all areas of land sold with the maximum three month reward available for each area.

However, this PC's performance has been impacted by the TTT's programme delays as they have not handed back as many sites as we had expected.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8 as the TTT is now complete.

LWI Trunk mains renewal *LWI01*



Trunk mains network renewed attributable to the eight schemes agreed with Ofwat as part of the programme (km)

A greater length is better

Penalty: £1.118m (not met)

How we've done

We've missed our target for the AMP due to delivery challenges.

The key issues have been streetworks access permissions taking longer to obtain and blockers to collaborative work with other infrastructure providers. Alternative works were proposed to Ofwat which would have delivered similar benefits, but we asked to keep to the original scope of the metric.

We identified and resolved a double count in the original meterage forecast, from which Ofwat agreed to reduce our target from 16.4km to 14.62km over the AMP.

This measure has been particularly hard hit by inflation post-Covid-19 and by the current global economic market conditions. The cost and availability of materials and resources in London continues to present difficulties in planning and delivering this programme. These schemes require multiple years to plan and deliver due to their size and complexity.

The driver for the investment in trunk main renewal was risk reduction, but the target is total meterage rather than being nuanced to whether we've mitigated the greatest risks, so we believe that we've delivered additional benefits to those captured within the definition.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8, but we'll have new incentives for completing mains renewal across both London and TVHC for all sizes of network pipes.

We've learnt many lessons about the time required to plan and deliver major trunk mains renewal in London, which are being fed into the planning and de-risking of both the AMP8 base programme and our proposals for trunk mains renewal under the asset health gated allowance.

We continue to develop and improve our relationships with external stakeholders, particularly the highways authorities, which are key to securing both the access permissions required for the work and also the collaboration opportunities that significantly reduce the disruption caused by our works.

Notes on this measure

Our three London Water Infrastructure ('LWI') performance commitments relate to our conditional allowance for the following objectives;

- Renewing high-risk areas of our trunk mains in London where we've experienced a major burst event or have large diameter pipes in poor condition; and
- Improving our understanding and management of water networks in London.

LWI Future London strategy *LWI02*

	2020/21	2021/22	2022/23	2023/24	2024/25
Actual	N/A	N/A	N/A	In progress	Complete
Target	N/A	N/A	N/A	In progress	Complete

Completion of specific outputs that improve understanding of mains performance, leading to better management of our London Network

Reputational only (met)

How we've done

We've met our target by developing an effective strategy.

We were required to complete a London Strategic System Long Term Investment Plan, a "Smart System" proof of concept in North East London which included an investment plan, a live hydraulic model and deployment of 900 monitors. These have all been successfully completed.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8.

LWI Data validation *LWI03*

	2020/21	2021/22	2022/23	2023/24	2024/25
Actual	N/A	N/A	N/A	In progress	Complete
Target	N/A	N/A	N/A	In progress	Complete

Completion of specific reports and projects delivered to define the strategic direction for our London network

Reputational only (met)

How we've done

We've met our target by completing the full scope of deliverables.

We were required to undertake 1000 condition assessments on the water distribution network in London to assess its overall condition and write a report. This has all been successfully completed.

What we're doing to improve performance

We'll no longer be measured against this PC in AMP8.

Responding to customer complaints

Performance: Responding to customer complaints

2024/25 performance

Significant progress has been made in decreasing the number of complaints from our household customers, with a reduction of 16.76% in complaint volumes. The most notable declines occurred in the Water and Wastewater sectors, attributed to a decrease in incidents and improved responses during major events.

Billing complaints

Complaints regarding household bills decreased by 10.06%. Additionally, the count of long-term unread meters has fallen to 83,600, indicating that more customers are now being charged based on their actual usage. Initiatives aimed at informing customers about rising tariffs have contributed to reducing complaints about unexpected bill amounts, while enhancements in operational management have further facilitated this decline. We've achieved notable progress in decreasing the volume of second stage complaints, resulting in a 33.8% reduction over the year. We recognise there is more to do in this area to improve performance.

Water and Wastewater complaints

Water and Wastewater services experienced the most significant decline, with a reduction of 31.77% compared to the prior year. This decrease is due to a reduction in major incidents and enhancements in incident response, particularly in proactive communication with customers during such events. The use of digital channels has further streamlined processes for customers, while the implementation of virtual technicians to assist in diagnosing issues has proven effective.

We've delivered extra training and coaching support for our teams and leaders which has proved an effective route in sharing knowledge and experience to reduce repeats, improving resolution time.

We tested and introduced a new customer support team dedicated to assisting our customers in situations that require extra care throughout the operational process until their issue is fully resolved.

We've introduced a dedicated operations complaint page as part of our digital services, implemented live sign-ups and updates via digital platforms, and incorporated QR codes to enhance customer engagement.

Metering complaints

Complaints regarding metering have decreased by 12.45%. This decline coincides with a rise in applications for optant meters, driven by notifications of price increases and media campaigns promoting smart meters during the last quarter of the year. Enhancements in the customer journey have led to a reduction in complaints about installation quality compared to earlier periods; however, there remains room for further improvement in this area. The launch of new NBIoT technology in the Thames Valley Home Counties region, in partnership with Vodafone, will significantly enhance the operability of metering systems, addressing existing challenges.

What we're doing to improve our performance

- We remain committed to enhancing both the speed and accuracy of our resolutions while also improving our communication to make sure customers are kept informed throughout the entire process of their inquiries. All interdepartmental transitions will be governed by established service level agreements and well-defined escalation procedures to address any shortcomings in meeting customer expectations;
- We've provided comprehensive retraining for all our frontline billing teams, improving their understanding of processes while also emphasising the development of soft skills. Additionally, we are testing new technologies like Amazon Q to bring relevant knowledge content to the forefront, thereby enhancing customer interactions;
- We're focused on enhancing our customer side leakage experience and support by transitioning to a cohesive, unified policy which will provide a consistent experience for our customers;
- We're prioritising the operability of our smart meters by ensuring that 95% of them are successfully transmitting readings. Additionally, we are investigating new technologies in areas with weak signal reception to guarantee regular readings that reflect actual consumption. To enhance customer access to their consumption data, we are creating an online toolkit;
- We're committed to improving and evolving our quality for customers and have launched a new quality framework to refresh the methodology for our teams;
- We're prioritising improving our incident response communications by having dedicated staff assigned to communicate with our customers across all channels including social media; and
- We're focused on enhancing our contact offerings by expanding our Virtual Technician team, offering video calls to customers to resolve issues first time without requiring technicians to visit if appropriate.

Household complaints by channel

Type	2023/24	2024/25	Variance (%)
Revenue	53,278	47,920	-10.06
Water	12,426	8,170	-34.25
Wastewater	12,735	8,998	-29.34
Metering	4,707	4,121	-12.45
Total	83,146	69,209	-16.76

London and Thames Valley & Home Counties ('TVHC') Performance

Performance: Our regions

Introduction

As part of our AMP plan for 2020 to 2025, we've been asked by Ofwat to report on our London performance separately each year.

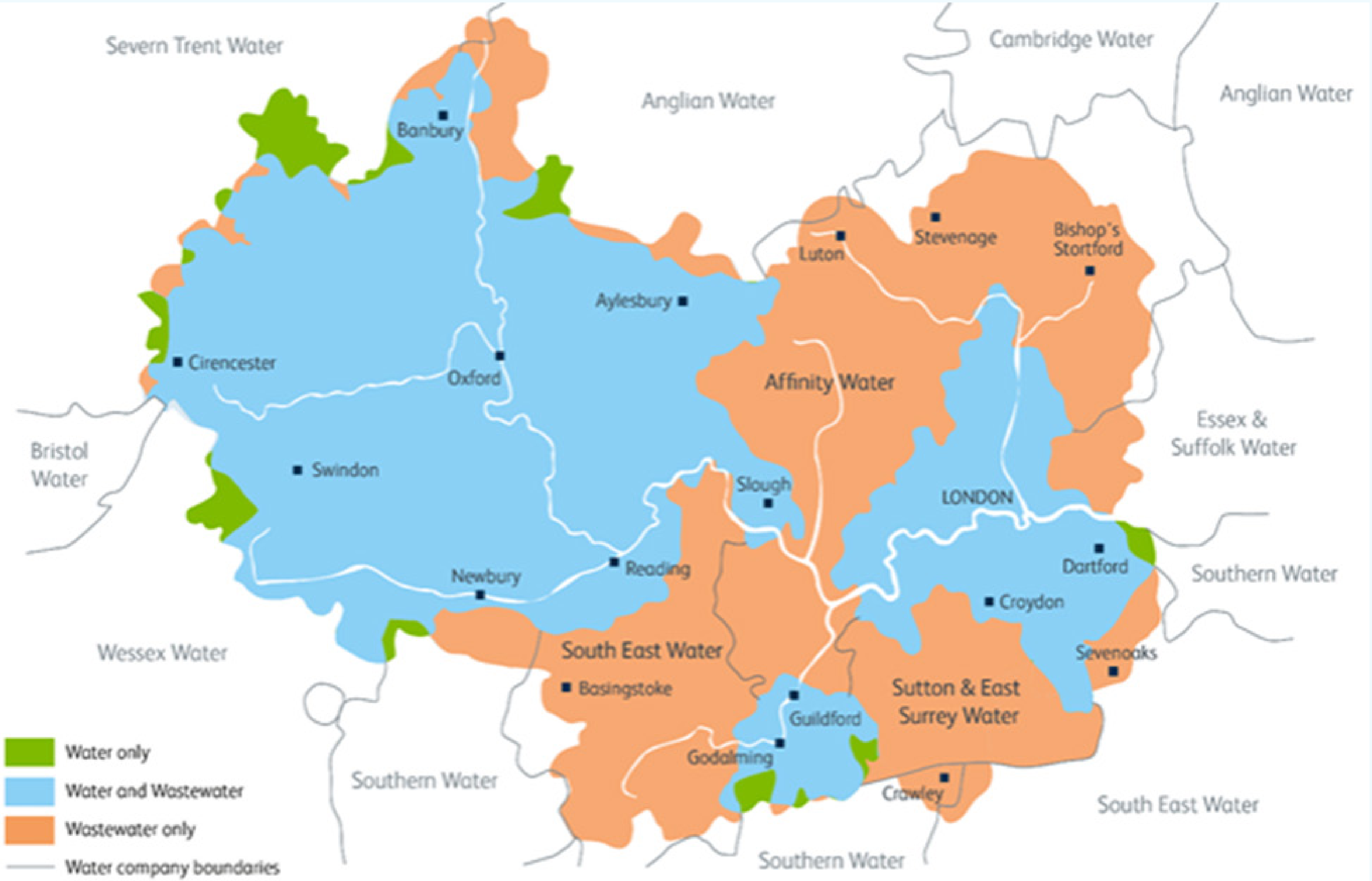
We're reporting regional performance for 18 performance commitments which have been chosen because of our ability to collect the data, benefits for decision making and how useful the information is to our customers and stakeholders if they want to understand our performance at a regional level.

How we define London

Water: the London water resources zone.

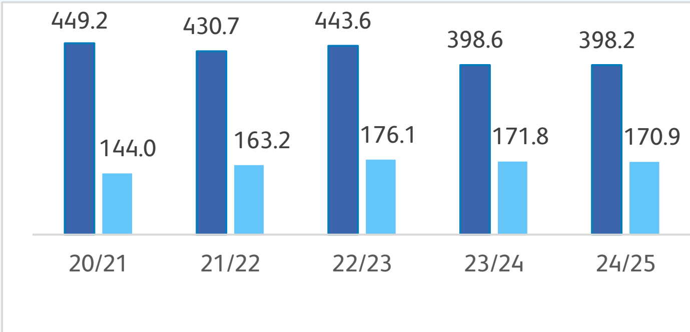
Wastewater: the area covered by the eight large London sewage treatment works.

The area outside of London is known as Thames Valley and Home Counties ('TVHC').



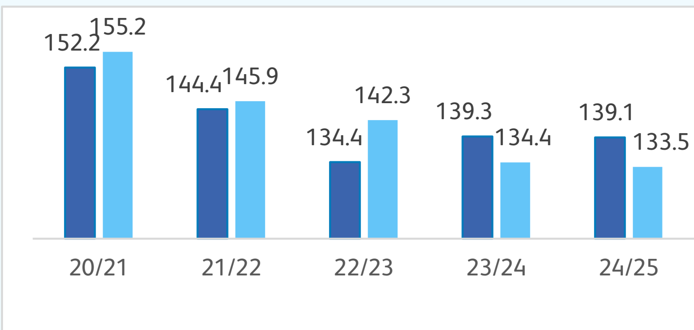
Performance: Our regional measures

Leakage (annual average)



This year's performance is very similar to last year's. London has higher leakage due to the age and condition of its network. However, leak detection is more difficult in rural areas and TVHC is a complex mix of urban towns surrounded by large rural areas where customer demand fluctuates more significantly in the summer. TVHC is also more likely to be impacted by resource and performance challenges.

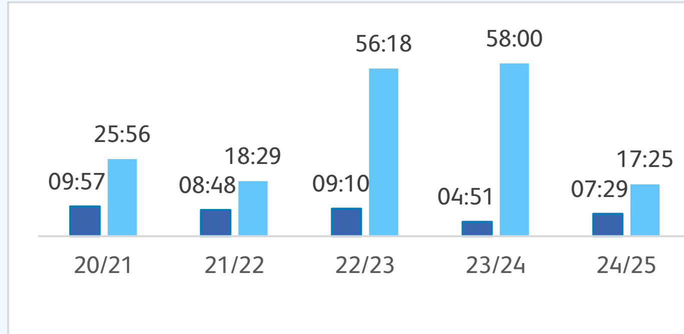
Per Capita Consumption (annual average)



A higher proportion of outside garden space in TVHC causes demand to spike more during warmer and drier weather, such as the hotter than average summer in 2022/23. The summers of the last two years were cooler and wetter.

TVHC has a higher meter penetration and this is proven to reduce demand as customers pay for the water they use.

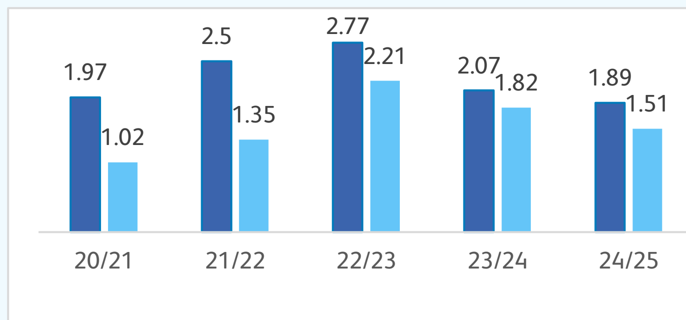
Water supply interruptions (mm:ss)



Water supply interruptions are more prevalent in TVHC due to a high volume of PVC pipes which often require more complex repairs than other pipe materials. Alternative supplies are limited by a lack of network interconnectivity and, in some areas, storage.

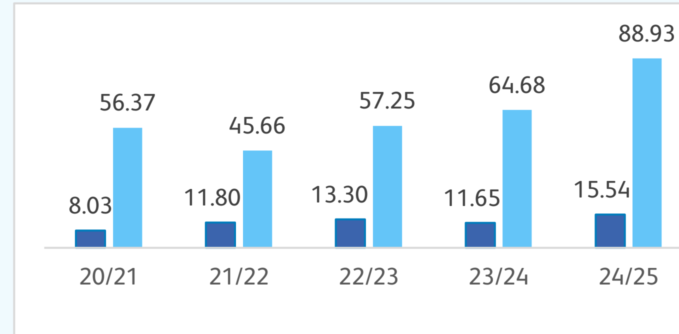
TVHC also experiences more variations in pressure levels (due to ground height variations) while its more rural nature increases travel time to incidents so they tend to be longer.

Unplanned Outages (%)



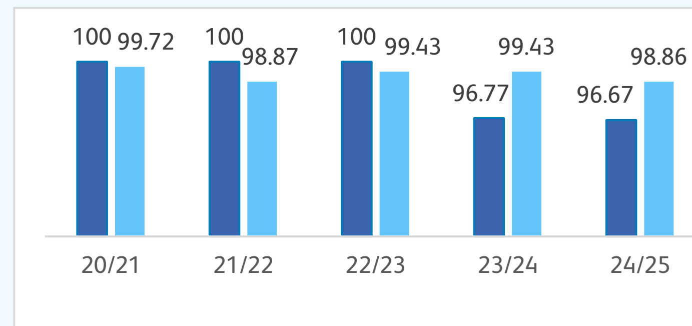
This measure is very sensitive to the size of works with an outage. As London has several complex and very large production plants, an outage in London will tend to have more impact on the overall % than one in the TVHC.

Pollutions (per network length)



London has a longer network length, which skews performance per km. The incident rate from waste networks is higher in London due to demographic factors, blockage hotspots and asset layout, whereas STW incidents are comparatively more frequent in TVHC. There's also more rising main bursts in TVHC and infiltration is a greater issue in this region. Our Discharge Alert Monitoring ('DAM') tool has had a greater impact in TVHC by providing more visibility of potential incidents which may previously have gone unnoticed, such as on unmanned sites.

Treatment works compliance (%)

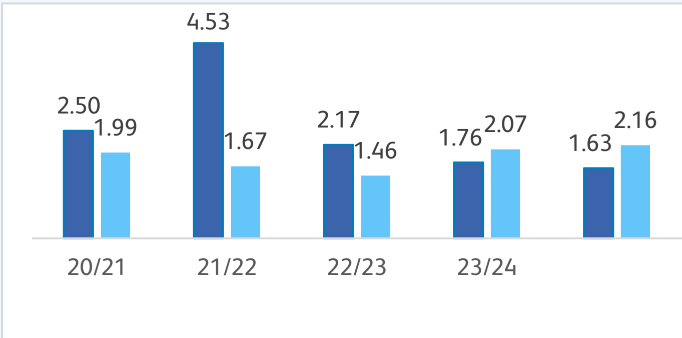


Three of our failures this year were in TVHC and two in London. The impact on London looks greater as there are ten times as many STWs in TVHC as London.

London TVHC

Performance: Our regional measures (continued)

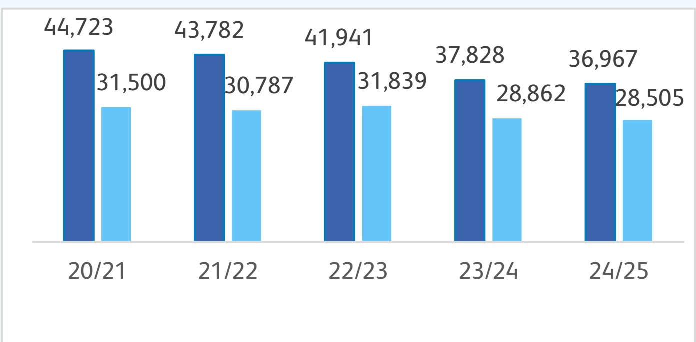
Internal sewer flooding (per 10k connections)



The density of the infrastructure in London means that heavy rainfall is usually more likely to result in internal sewer flooding there. However, a second year of high groundwater saturation in TVHC has led to greater susceptibility to flooding than usual in that region.

London was abnormally affected by the London Flooding event of July 2021. We've improved our performance here for the third consecutive year.

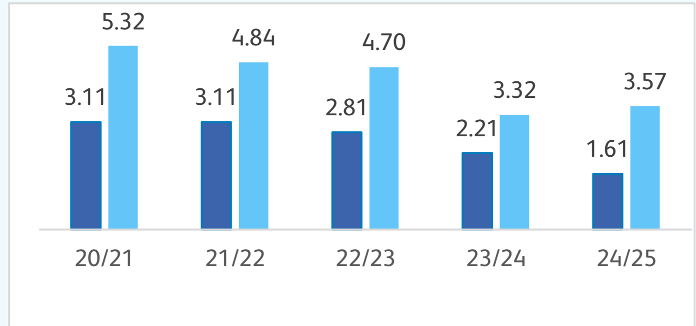
Blockages (nr.)



There are more blockages in London, consistent with there being more sewers in the region and more blockage hotspots.

However, both regions have improved their performance steadily over the past three years.

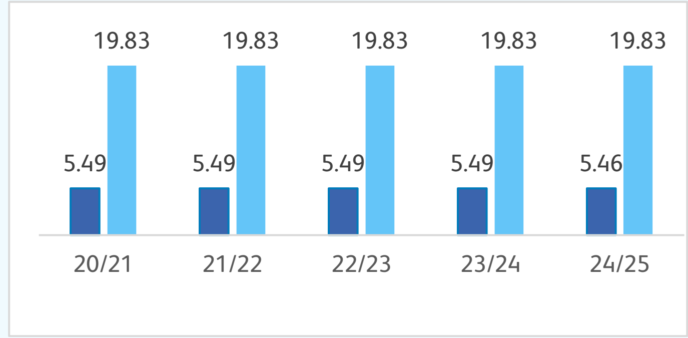
Sewer collapses (per network length)



Approximately 85% of sewer collapses occur in TVHC. However, we've seen a significant performance improvement in both regions over the AMP due to operational efficiencies and wetter, milder weather in the past two years.

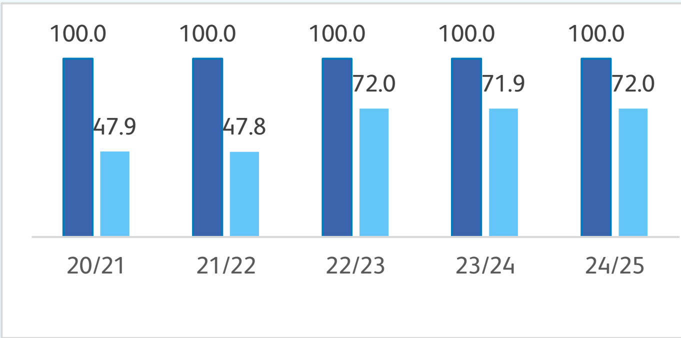
In London, c. 85% of the failures are gravity sewer collapses (15% rising main bursts), whereas in TVHC c. 45% of the failures are gravity sewer collapses (55% rising main bursts).

Risk of sewer flooding in a storm (%)



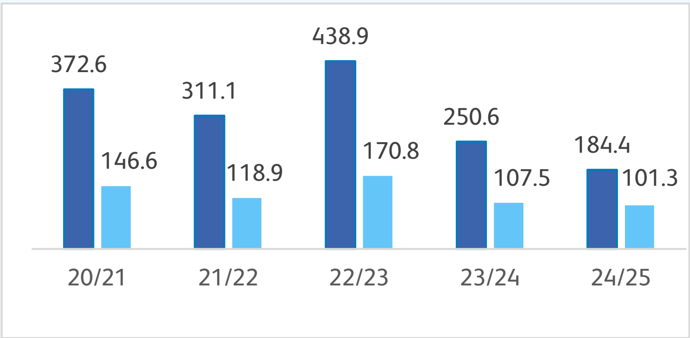
The risk of sewer flooding in a storm is significantly higher in TVHC than in London due to the nature of how this measure is calculated, rather than operational factors.

Risk of severe restrictions in a drought (%)



The SWOX and SWA areas of TVHC are in supply-demand deficit under 1 in 200 drought conditions, while all other Water Resource Zones ('WRZs') are in surplus.

Mains repairs (per mains length)



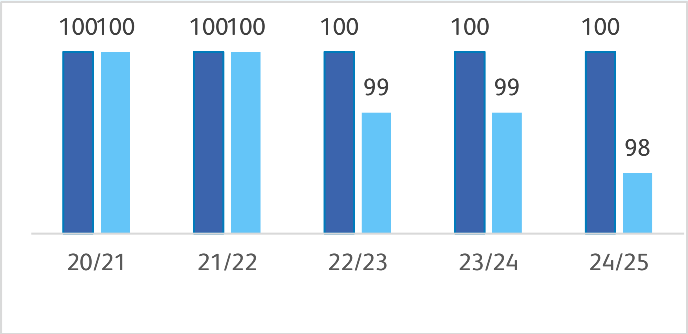
Bursts are more frequent in London due to a significant number of cast iron mains over 100 years old. Some areas in London have soil conditions that are highly corrosive to iron mains and/or highly shrinkable, increasing susceptibility to movement through changes in conditions, such as rainfall and temperature.

The increased traffic in London also has an impact on pipes due to forces created by increased tonnage, braking and acceleration.

London TVHC

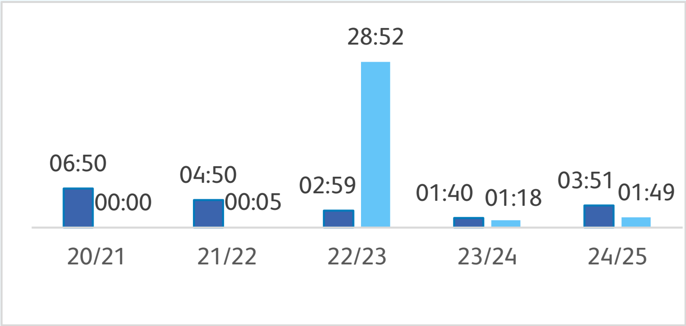
Performance: Our regional measures (continued)

Security of supply index (score)



All WRZ across London are in surplus under both annual average conditions and critical period conditions. Two of our six WRZ are now in deficit, SWOX and SWA.

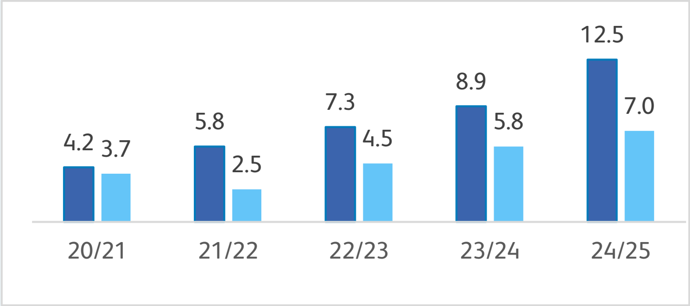
Responding to major trunk mains bursts (mm:ss)



The majority of our trunk mains are contained within the London supply area so trunk mains bursts are much more likely there. However, supplies are more easily rerouted in London so a burst in TVHC, such as the 22/23 Oxford event, can result in a severe impact.

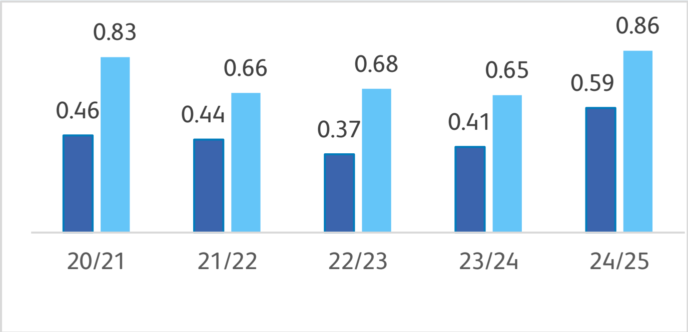
The key event this year was at Crystal Palace in London.

Priority Services for vulnerable customers (reach)



There is a larger proportion of households in TVHC for whom we only provide waste services and PSR is flagged to the billing company, which will be these customers' water only company ('WOC'). This results in a lower ratio of PSR customers in TVHC compared to London.

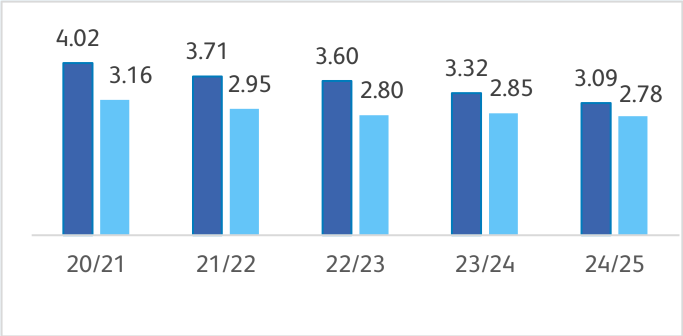
Acceptability of water (score)



The biggest cause of contacts is the appearance of water. Contacts about illness generate the smallest volumes. There are no obvious reasons for operational difference between the regions.

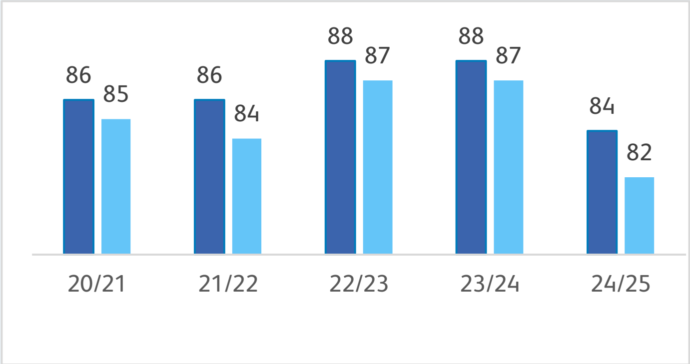
The significantly larger population in London means that normalisation results in performance for the TVHC area looking worse.

Empty household properties (%)



We have more empty properties in London, reflecting the higher levels of customer transiency in the capital and the greater density of flats, which can present access difficulties for conducting investigations.

Satisfied vulnerable customers (%)



There's a marginal difference in performance between London and TVHC. This may partly be caused by demographics; TVHC has larger populations of older age groups and the white ethnicity group, who tend to be less satisfied than younger people and other ethnic groups.

This year's deterioration in scores reflects reduced satisfaction overall.

London TVHC

Our 2024/25 regulatory financial reporting (Tables 1A - 1F)

Accounts: Differences between statutory and RAG definitions

Adjustments are made to the consolidated statutory financial statements to maintain compliance with the Ofwat guidance detailed in RAG 3.15 and 4.13.

The most significant include:

- Reclassification of current year bad debt from revenue to operating costs (£42.5 million);
- Borrowing costs capitalised within fixed assets in the statutory accounts are recognised as an interest expense for regulatory purposes (£187.1 million). The associated depreciation of borrowing costs is recognised in operating costs (£10.0 million); and
- Reclassification of certain costs and incomes to align with regulatory presentation requirements.

Full reconciliations of the differences between statutory and regulatory figures for revenue, operating profit, other income, and profit before tax can be found in the section on Accounting Policies.

Non-appointed activities include revenue of £135.6 million and operating costs of £0.5 million relating to Bazalgette Tunnel Limited ('BTL'). BTL is an independent company unrelated to Thames Water Utilities Limited and was appointed in 2015 to construct the Thames Tideway Tunnel. Non-appointed activities also include an expected credit loss provision recognised on intercompany loans (£1,270.6 million).

The arrangement with BTL means that the Company has included construction costs of the Thames Tideway Tunnel within its bills to wastewater customers during the year ended 31 March 2025. As cash is collected, these amounts are subsequently paid to BTL within a maximum of 50 business days under 'pay when paid' principle.

Accounting standards require the Company to present the amounts billed as revenue in our financial statements, and with an associated cost representing bad debt on amounts billed. This also gives rise to reporting profit which is taxable.

Non-appointed activities also include our tankered waste and property searches businesses.

Interest Analysis

1A.7	£m
Interest on external debt	(690.648)
Interest on intra-group debt	(0.000)
RPI accretion on debt	(141.579)
Amortisation of debt issuance costs, premium and discounts	(14.453)
Interest in relation to leases	(3.486)
Trading interest expense	(0.241)
Other financing costs	(2.060)
Per 1A.7	(852.467)

1A.8	£m
Net interest expense on defined benefit obligation	(5.200)
Exceptional debt restructuring costs	(192.594)
Per 1A.8	(197.794)

In some instances, the totals shown in our tables and reconciliations within our Regulatory Accounting Statements may differ due to roundings and the formulae of the Ofwat template.

Accounts: Table 1A: Income statement for the 12 months ended 31 March 2025

This table takes the information from the statutory income statement and shows the adjustments made in order to arrive at the regulatory income statement for the appointed business. The adjustments include both differences between the International Financial Reporting Standards ('IFRS') and the RAG, and removal of non-appointed income and costs.

Additional narrative on the income statement

Fair value gains/(losses) on financial instruments includes the fair value of £219.0 million accreted on index linked swaps during the year.

Within our Annual Report and Accounts consolidated income statement, we recognised an £1,270.6 million expected credit loss provision (the full balance of which is now deemed not recoverable. Further details on this can be found within our statutory accounts disclosures). This is classified on its own line below operating profit. Within this APR, on Line 2 operating costs, we've included this and treated the full value as non-appointed. This classification difference is also reflected in the operating profit (Line 4). There's no difference in total profit for the loss.

The rationale for the treatment of the expected credit loss provision on intercompany loan as non-appointed is:

- These costs are deemed exceptional in our statutory accounts and outside of what would be expected to be incurred and shared with customers by an appointed business in the UK water industry;
- Separating this out of appointed activities aids users of the accounts challenge and review our performance on a comparable basis to others in the industry, against our FD and prior periods;
- The expected credit loss provision is a highly judgemental non-cash accounting entry that is subject to change with further variation of the facts as they arise; and
- Results in no amounts being paid for by customers through totex sharing.

Exceptional costs relating to restructuring (£65 million) and Ofwat fines (£122 million) are included within our operating expenditure and are stripped out within our disallowable costs as reported in table 4C, therefore are not funded by customers.

Line description Units: £m	Statutory	Adjustments			Total appointed activities	RAG 4 Ref
		Diff's between statutory and RAG definitions	Non-appointed	Total adjustments		
Revenue	2,738.200	40.043	157.162	-117.119	2,621.081	1A.1
Operating costs	-3,687.800	-8.205	-1,280.623	1,272.418	-2,415.382	1A.2
Other operating income	150.300	-147.493	0.000	-147.493	2.807	1A.3
Operating profit	-799.300	-115.655	-1,123.461	1,007.806	208.506	1A.4
Other income	0.000	107.679	0.132	107.547	107.547	1A.5
Interest income	256.300	0.000	0.000	0.000	256.300	1A.6
Interest expense	-670.547	-181.920	0.000	-181.920	-852.467	1A.7
Other interest expense	-192.594	-5.200	0.000	-5.200	-197.794	1A.8
Profit/(loss) before tax and fair value mvmts	-1,406.141	-195.096	-1,123.329	928.233	-477.908	1A.9
Fair value gains/(losses) on fin' instruments	-240.500	0.000	0.000	0.000	-240.500	1A.10
Profit/(loss) before tax	-1,646.641	-195.096	-1,123.329	928.233	-718.408	1A.11
UK corporation tax	41.933	0.000	0.000	0.000	41.933	1A.12
Deferred tax	90.959	0.000	0.009	-0.009	90.950	1A.13
Profit/(loss) for the year	-1,513.749	-195.096	-1,123.320	928.224	-585.525	1A.14
Dividends	0.000	0.000	0.000	0.000	0.000	1A.15
Tax analysis						
Current year	0.000	0.000	0.000	0.000	0.000	1A.16
Adjustment in respect of prior years	-41.933	0.000	0.000	0.000	-41.933	1A.17
UK corporation tax	-41.933	0.000	0.000	0.000	-41.933	1A.18
Analysis of non-appointed revenue						
Imported sludge			0.000			1A.19
Tankered waste			8.118			1A.20
Other non-appointed revenue			149.044			1A.21
Total non-appointed Revenue			157.162			1A.22

Accounts: Table 1B: Statement of comprehensive income for the 12 months ended 31 March 2025

This table shows all of the changes to our statement of comprehensive income, adjusting for the differences between IFRS and the RAG, as well as excluding the results of the non-appointed business.

There's no additional narrative for this table.

Line description Units: £m	Statutory	Adjustments			Total appointed activities	RAG 4 Ref
		Diff's between statutory and RAG definitions	Non-appointed	Total adjustments		
Profit for the year	-1,513.749	-195.096	-1,123.320	928.224	-585.525	1B.1
Actuarial gains/(losses) on post-employment plans	21.000	0.000	0.000	0.000	21.000	1B.2
Other comprehensive income	-3.100	0.000	0.000	0.000	-3.100	1B.3
Total Comprehensive income for the year	-1,495.849	-195.096	-1,123.320	928.224	-567.625	1B.4

Accounts: Table 1C: Statement of financial position for the 12 months ended 31 March 2025

This table details all of the key metrics for assessing our financial position.

Additional narrative on the statement of financial position

Adjustments are made to the statutory numbers to maintain compliance with the Ofwat guidance detailed in RAG 3.15 and 4.13. The most significant include:

- Capitalised interest of £1,302.1 million for borrowing costs is removed from fixed assets, offset by a £50.4 million adjustment to write back depreciation on capitalised borrowing costs;
- Capital creditors of £309.4 million are disclosed separately;
- A reclassification is made from current borrowings of £324.1 million to trade and other payables in respect of accrued interest, offset by a reclassification from Financial Instruments to Current Borrowings due to Derivative Financial Liabilities (see below reconciliation);
- A reclassification is made from financial instruments to non-current borrowings due to derivative financial liabilities (see below reconciliation);
- The non-appointed business shows retained earnings of £642.1 million relating to Bazalgette Tunnel Limited ('BTL'); and
- A write-off of the £1,389.5 million on investments – loans to group companies has been made in line with the statutory accounting treatment (full balance is now deemed not recoverable further details on this can be found within our statutory accounts disclosures).

Line description Units: £m	Statutory	Adjustments			Total appointed activities	RAG 4 Ref
		Diff's between statutory and RAG definitions	Non-appointed	Total adjustments		
Non-current assets						
Fixed assets	20,875.552	-1,278.197	10.178	-1,288.375	19,587.177	1C.1
Intangible assets	207.513	-5.019	0.000	-5.019	202.494	1C.2
Investments - loans to group companies	0.000	0.000	0.000	0.000	0.000	1C.3
Investments - other	669.000	0.000	623.900	-623.900	45.100	1C.4
Financial instruments	300.027	-37.693	0.000	-37.693	262.334	1C.5
Retirement benefit assets	25.900	0.000	0.000	0.000	25.900	1C.6
Total non-current assets	22,077.992	-1,320.909	634.078	-1,954.987	20,123.005	1C.7
Current assets						
Inventories	22.500	0.000	0.000	0.000	22.500	1C.8
Trade & other receivables	860.200	0.000	30.300	-30.300	829.900	1C.9
Financial instruments	0.000	0.000	0.000	0.000	0.000	1C.10
Cash & cash equivalents	306.400	0.000	25.800	-25.800	280.600	1C.11
Total current assets	1,189.100	0.000	56.100	-56.100	1,133.000	1C.12
Current liabilities						
Trade & other payables	-1,257.200	-9.312	-37.900	28.588	-1,228.612	1C.13
Capex creditor	0.000	-309.437	0.000	-309.437	-309.437	1C.14
Borrowings	-330.656	263.700	0.000	263.700	-66.956	1C.15
Financial instruments	-66.222	61.151	0.000	61.151	-5.071	1C.16
Current tax liabilities	0.000	0.000	0.000	0.000	0.000	1C.17
Provisions	-231.700	-6.102	0.000	-6.102	-237.802	1C.18
Total current liabilities	-1,885.778	0.000	-37.900	37.900	-1,847.878	1C.19
Net Current assets/(liabilities)	-696.678	0.000	18.200	-18.200	-714.878	1C.20

Accounts: Table 1C: Statement of financial position for the 12 months ended 31 March 2025 (continued)

Line description Units: £m	Statutory	Adjustments			Total appointed activities	RAG 4 Ref
		Diff's between statutory and RAG definitions	Non-appointed	Total adjustments		
Non-current liabilities						
Trade & other payables	-1,159.400	1,185.736	0.000	1,185.736	26.336	1C.21
Borrowings	-16,698.661	-1,102.574	0.000	-1,102.574	-17,801.235	1C.22
Financial instruments	-1,652.027	1,107.112	0.000	1,107.112	-544.915	1C.23
Retirement benefit obligations	-112.100	0.000	0.000	0.000	-112.100	1C.24
Provisions	-265.700	-12.965	0.000	-12.965	-278.665	1C.25
Deferred income – grants & contributions	0.000	-580.498	0.000	-580.498	-580.498	1C.26
Deferred income - adopted assets	0.000	-572.083	0.000	-572.083	-572.083	1C.27
Preference share capital	0.000	0.000	0.000	0.000	0.000	1C.28
Deferred tax	-1,210.378	0.000	0.051	-0.051	-1,210.429	1C.29
Total non-current liabilities	-21,098.266	24.728	0.051	24.677	-21,073.589	1C.30
Net assets	283.048	-1296.181	652.329	-1948.510	-1665.462	1C.31
Called up share capital	76.500	0.000	0.000	0.000	76.500	1C.32
Retained earnings & other reserves	206.548	-1,296.181	652.329	-1,948.510	-1,741.962	1C.33
Total Equity	283.048	-1,296.181	652.329	-1,948.510	-1,665.462	1C.34

Accounts: Table 1C: Statement of financial position for the 12 months ended 31 March 2025 (continued)

Borrowings reconciliation

Appointed Activities Units: £m	
Current liabilities	
Current borrowings included in statutory accounts	324.133
Lease Liability included in statutory accounts	6.523
Statutory current borrowings	330.656
Difference between statutory and regulatory definitions:	
Accretion moved to borrowings from financial instruments	10.270
Accrued interest taken to trade and other payables	(324.133)
FX loss moved to borrowings from financial instruments	50.163
Current borrowings included in regulatory accounts (per Table 1C)	66.956
Non-current liabilities	
Non-current borrowings included in statutory accounts	16,651.981
Lease Liability included in statutory accounts	46.680
Statutory non-current borrowings	16,698.661
Difference between statutory and regulatory definitions:	
Accretion moved to borrowings from financial instruments	1,016.960
FX loss moved to borrowings from financial instruments	85.614
Non-current borrowings included in regulatory accounts (per Table 1C)	17,801.235
Total borrowings included in statutory accounts	16,976.114
Total borrowings included in regulatory accounts (per Table 1C)	17,868.191
Add: Unamortised debt issuance costs, discount and IFRS 9 adjustments	86.667
Add bank overdraft from trade and other payables	71.180
Total borrowings included in regulatory accounts (Table 1E)	18,026.038

Accounts: Table 1D: Statement of cashflows for the 12 months ended 31 March 2025

The statement of cashflows presents a summary of all cashflows in the business.

Differences between statutory and RAG definitions

This table takes the information from the statement of cashflows from the statutory accounts and adjusts for the differences between IFRS and the RAGs, as well as removing the cashflows of the non-appointed business to show the cashflows of our regulated business.

Additional narrative on our statement of cashflows

Statutory operating profit (Line 1) ties to our Annual Report and Accounts 2024/25. RAG4 states that this value should tie to Line 4 of Table 1A. Line 4 of Table 1A includes a non-cash £1,270.6 million expected credit loss provision on an intercompany loan which does not appear in our Annual Report and Accounts 2024/25 operating profit (see Table 1A commentary for further details). In order for the APR statutory reduction in cash to align with our Annual Report and Accounts, this is excluded within Table 1D.

Explanation of reconciling items

The cashflow has been prepared to align with the regulatory reporting format. As a result, the net cash position by activity (operating, investing & financing) doesn't agree to what's been presented in the statutory statement of cashflows.

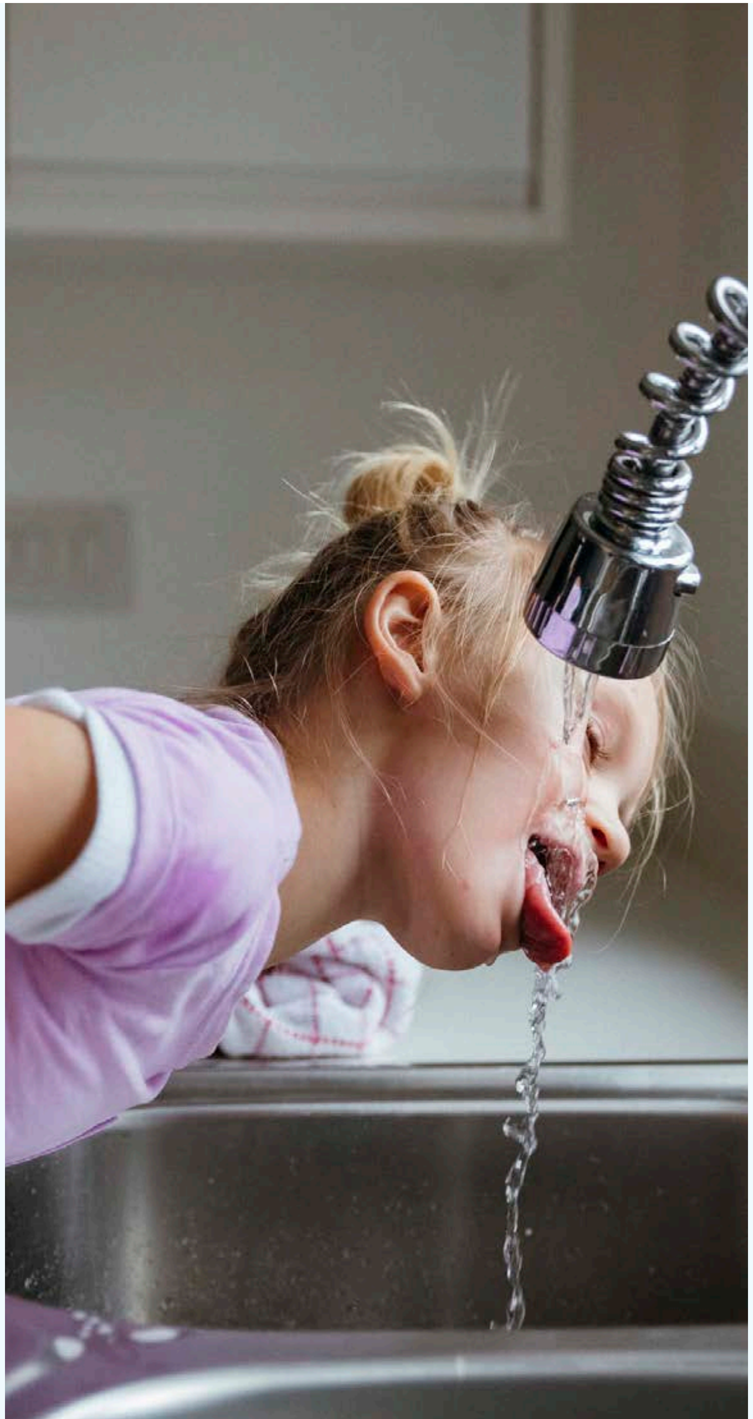
The difference is primarily due to the classification of all interest related balances including amounts capitalised in the statutory statement of financial position of the 'net interest paid' category and interest costs relating to pensions.

The majority of movement in non-appointed working capital relates to cash paid over to BTL.

The variance between the statutory operating profit in Line 4 of Table 1A and Line 1 of Table 1D is £1,270.6 million related to an expected credit loss provision on intercompany loan receivables.

Line description Units: £m	Statutory	Adjustments			Total appointed activities	RAG 4 Ref
		Diff's between statutory and RAG definitions	Non-appointed	Total adjustments		
Operating activities						
Operating profit	471.300	-115.655	147.129	-262.784	208.516	1D.1
Other income	0.000	107.679	0.132	107.547	107.547	1D.2
Depreciation	778.800	-9.982	0.000	-9.982	768.818	1D.3
Amortisation – Grants & contributions	0.000	0.000	0.000	0.000	0.000	1D.4
Changes in working capital	-145.100	0.000	-127.761	127.761	-17.339	1D.5
Pension contributions	-17.100	5.200	0.000	5.200	-11.900	1D.6
Movement in provisions	208.000	-8.563	0.000	-8.563	199.437	1D.7
Profit on sale of fixed assets	-6.800	0.000	0.000	0.000	-6.800	1D.8
Cash generated from operations	1,289.100	-21.321	19.500	-40.821	1,248.279	1D.9
Net interest paid	-300.600	-192.320	0.000	-192.320	-492.920	1D.10
Tax paid	0.000	0.000	0.000	0.000	0.000	1D.11
Net cash generated from operating activities	988.500	-213.641	19.500	-233.141	755.359	1D.12
Investing activities						
Capital expenditure	-2,039.600	213.641	0.000	213.641	-1,825.959	1D.13
Grants & Contributions	0.000	0.000	0.000	0.000	0.000	1D.14
Disposal of fixed assets	21.000	0.000	0.000	0.000	21.000	1D.15
Other	0.000	0.000	0.000	0.000	0.000	1D.16
Net cash used in investing activities	-2,018.600	213.641	0.000	213.641	-1,804.959	1D.17
Net cash generated before financing activities	-1,030.100	0.000	19.500	-19.500	-1,049.600	1D.18

Accounts: Table 1D: Statement of cashflows for the 12 months ended 31 March 2025 (continued)



Line description Units: £m	Statutory	Adjustments			Total appointed activities	RAG 4 Ref
		Diff's between statutory and RAG definitions	Non-appointed	Total adjustments		
Cashflows from financing activities						
Equity dividends paid	0.000	0.000	0.000	0.000	0.000	1D.19
Net loans received	110.800	0.000	0.000	0.000	110.800	1D.20
Cash inflow from equity financing	0.000	0.000	0.000	0.000	0.000	1D.21
Net cash generated from financing activities	110.800	0.000	0.000	0.000	110.800	1D.22
Increase (decrease) in net cash	-919.300	0.000	19.500	-19.500	-938.800	1D.23

Accounts: Table 1E: Net debt analysis (appointed activities) at 31 March 2025

This table shows our net debt analysis.

Additional notes on net debt analysis

The weighted average years to maturity is calculated as the multiple of the principal sum and years to maturity for each non-swap instrument (foreign currency debt incorporates the impact of cross currency swaps in line with Table 4B) divided by the principal sum outstanding as at 31 March 2025.

Adjusted gearing is the percentage of the net debt (covenant basis) to the Regulatory Capital Value ('RCV'). It's the measure used when assessing TWUL's gearing against the level stipulated in the whole business securitisation covenants.

The bank overdraft of £71.2 million has been included on the fixed rate borrowings. This has arisen due to timing and relates to an accounting overdraft only. No actual interest has been included and therefore an 0.0% interest rate has been used.

Line description Units: £m	Fixed Rate	Floating Rate	Index Linked		Total	RAG 4 Ref
			RPI	CPI/ CPIH		
Interest rate risk profile						
Borrowings (excluding preference shares)	6,994.976	2,357.025	8,674.037	0.000	18,026.038	1E.1
Preference share capital	0.000				0.000	1E.2
Total borrowings	6,994.976	2,357.025	8,674.037	0.000	18,026.038	1E.3
Cash					-79.015	1E.4
Short term deposits					-201.605	1E.5
Net Debt					17,745.418	1E.6
Gearing						
Gearing					84.468%	1E.7
Adjusted Gearing					84.400%	1E.8
Interest						
Full year equivalent nominal interest cost	521.793	187.209	198.914	0.000	907.916	1E.9
Full year equivalent cash interest payment	371.673	157.206	70.351	0.000	599.230	1E.10
Indicative weighted average nominal interest rate	7.460%	7.943%	2.293%	0.000%	5.037%	1E.11
Indicative weighted average cash interest rate	5.313%	6.670%	0.811%	0.000%	3.324%	1E.12
Weighted average years to maturity	6.057	3.410	19.152	0.000	11.581	1E.13

Accounts: Table 1F: Financial flows for the 12 months ended 31 March 2025 and for the price review to date

The table shows the various components of actual returns achieved for the current financial year and the average for AMP7. The actual return has been benchmarked against the allowed return permitted under the regulatory regime.

All figures quoted are in 2017/18 real CPIH terms unless otherwise stated. Due to rounding, numbers presented may not add up precisely to the totals provided.

Additional notes on financial flows

Allowed Return on regulatory equity ('RORE') is based on notional capital structure.

Actual RORE is based on actual capital structure.

Additional narrative on financial flows

Line 7: This is calculated as the total cost of debt excluding hedging.

Line 8: This is calculated as the hedging impact, which now includes accretion on index-linked swaps. For consistency, the AMP to date average figures reflect restated 2020/21 and 2021/22 values which include the impact of accretion.

Line 10: In line with Ofwat guidance, the variance in conditional allowance overspend has been removed from this calculation.

Line 19: Thames Water does not have any voluntary sharing arrangements for AMP7.

Line 22: This relates to the interest income receivable by TWUL on the loans due from its immediate parent company, Thames Water Utilities Holdings Limited ('TWUHL').

Line description	12 months ended 31 March 2025						RAG 4 Ref
	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	
Regulatory equity (£m)	6,458.898	6,458.898	2740.964				1F.1
Return on regulatory equity (%)	3.93%	1.67%	3.93%	253.851	107.727	107.727	1F.2
Impact of movement from notional gearing (%)		2.26%	2.15%		146.124	59.016	1F.3
Gearing benefits sharing (%)		-0.30%	-0.72%		-19.609	-19.609	1F.4
Variance in corporation tax (%)		-0.04%	-0.10%		-2.717	-2.717	1F.5
Group relief (%)		0.31%	0.74%		20.336	20.336	1F.6
Cost of debt (%)		0.84%	2.73%		54.309	74.953	1F.7
Hedging instruments (%)		-0.38%	-1.25%		-24.790	-34.213	1F.8
Return on regulatory equity including Financing adjustments (%)	3.93%	4.36%	7.50%	253.851	281.380	205.492	1F.9
Operational performance							
Totex out / (under) performance (%)		-9.76%	-23.00%		-630.329	-630.329	1F.10
ODI out / (under) performance (%)		-1.05%	-2.48%		-68.040	-68.040	1F.11
C-Mex out / (under) performance		-0.19%	-0.45%		-12.211	-12.211	1F.12
D-Mex out / (under) performance		-0.09%	-0.22%		-6.066	-6.066	1F.13
Retail out / (under) performance		-0.85%	-2.01%		-55.098	-55.098	1F.14
Other exceptional items		-3.00%	-7.08%		-193.991	-193.991	1F.15
Operational performance total		-14.95%	-35.23%		-965.735	-965.735	1F.16

Accounts: Table 1F: Financial flows (continued)

Line description	Average 2020/25						RAG 4 Ref
	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	
Regulatory equity (£m)	6,078.340	6,078.340	2,829.274				1F.1
Return on regulatory equity (%)	3.90%	1.82%	3.90%	237.055	110.342	110.342	1F.2
Impact of movement from notional gearing (%)		2.08%	1.83%		126.714	51.739	1F.3
Gearing benefits sharing (%)		-0.22%	-0.48%		-13.476	-13.476	1F.4
Variance in corporation tax (%)		-0.05%	-0.10%		-2.874	-2.874	1F.5
Group relief (%)		0.07%	0.14%		4.067	4.067	1F.6
Cost of debt (%)		2.46%	7.03%		149.607	198.766	1F.7
Hedging instruments (%)		-1.66%	-4.71%		-100.774	-133.215	1F.8
Return on regulatory equity including Financing adjustments (%)	3.90%	4.50%	7.61%	237.055	273.605	215.349	1F.9
Operational performance							
Totex out / (under) performance (%)		-2.95%	-6.33%		-179.213	-179.213	1F.10
ODI out / (under) performance (%)		-0.92%	-1.98%		-55.896	-55.896	1F.11
C-Mex out / (under) performance		-0.24%	-0.51%		-14.506	-14.506	1F.12
D-Mex out / (under) performance		-0.06%	-0.13%		-3.593	-3.593	1F.13
Retail out / (under) performance		-0.90%	-1.94%		-54.980	-54.980	1F.14
Other exceptional items		-0.88%	-1.89%		-53.442	-53.442	1F.15
Operational performance total		-5.95%	-12.78%		-361.630	-361.630	1F.16

Accounts: Table 1F: Financial flows (continued)

Additional narrative on financial flows (continued)

Our revenues are set according to a detailed regulatory process which allows for the recovery of efficient costs plus a return for investors in the business. The purpose of financial flows is to provide greater transparency about the financial returns to our shareholders. The financial flows information allows for a comparison between the returns under our actual capital structure and the returns set by the regulator under a notional capital structure, which is 60% geared.

The total actual return to external shareholders is generally comprised of the base return set in the Final Determination, outturn financial and operational performance compared to our allowances and targets, any retrospective adjustments set in the Final Determination to reflect actual performance over 2015 to 2020, growth in the RCV arising from inflation, and any voluntary sharing arrangements.

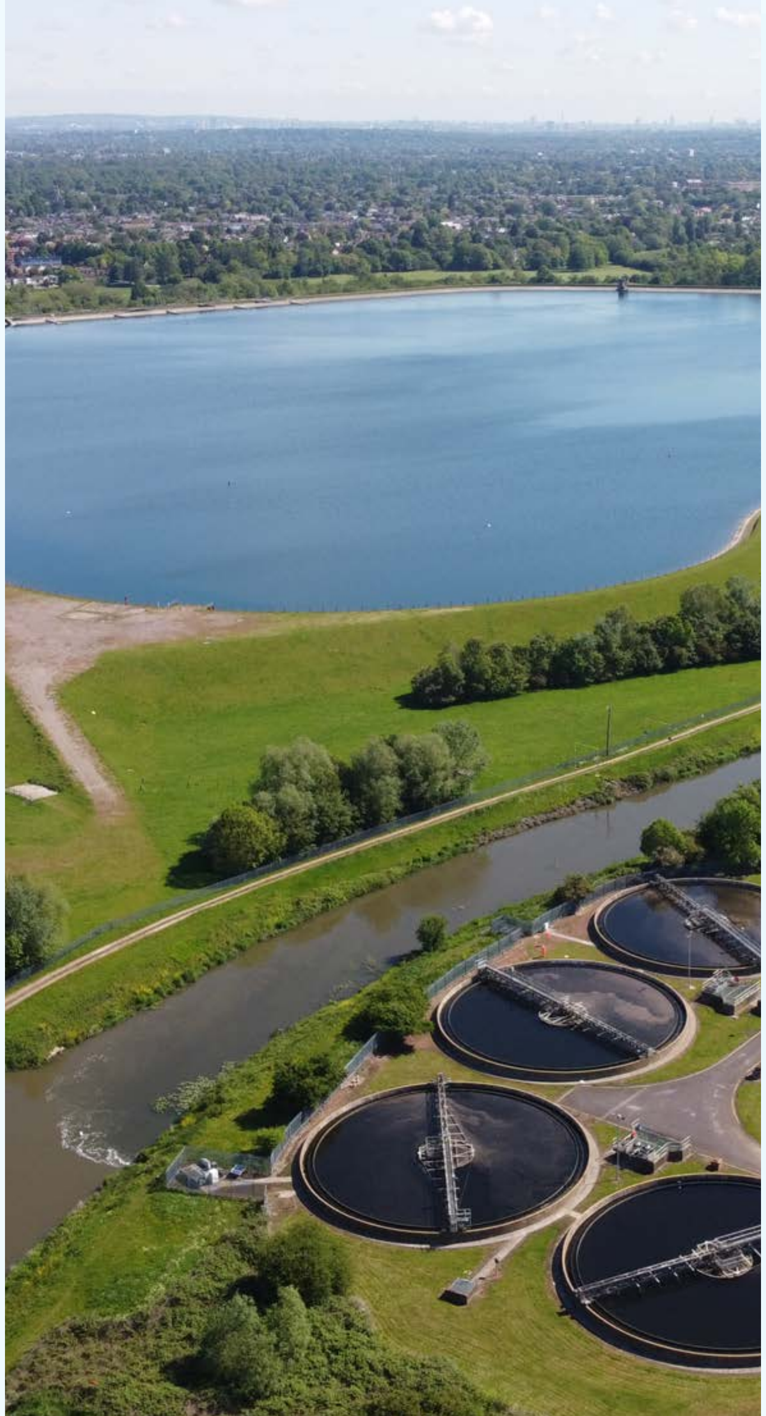
Overall total shareholder returns amount to (24.28%) for 2024/25. Negative (26.27%) was retained in the business, with 0% being distributed by way of a dividend, with the remaining 1.98% relating to interest income due to TWUL from its immediate holding company, TWUHL.

No dividends were paid by any group companies to our external shareholders. Please see the dividend policy for further detail.

The actual RORE to shareholders of (27.74%) is based on our actual capital structure and can be calculated by taking the allowed RORE (based on notional capital structure) of 3.93% and adjusting for the above financial and operational performance which amount to 3.57% and (35.23%) respectively.

Line description	12 months ended 31 March 2025						RAG 4 Ref
	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	
RoRE (%) (return on regulatory equity)	3.93%	-10.60%	-27.74%	253.851	-684.355	-760.242	1F.17
RCV growth (%)	3.45%	3.45%	3.45%	223.140	223.140	94.694	1F.18
Voluntary sharing arrangements (%)		0.00%	0.00%		0.000	0.000	1F.19
Total shareholder returns (%)	7.39%	-7.14%	-24.28%	476.991	-461.214	-665.548	1F.20
Dividends							
Gross dividends (%)	1.79%	0.00%	0.00%	115.614	0.000	0.00%	1F.21
Interest Receivable on Intercompany loans (%)		0.84%	1.98%		54.379	54.379	1F.22
Retained Value (%)	5.60%	-7.98%	-26.27%	361.377	-515.594	-719.928	1F.23
Cash impact of 2015-20 performance adjustments							
Totex out / under performance (%)		-0.02%	-0.05%		-1.383	-1.383	1F.24
ODI out / under performance (%)		-0.30%	-0.71%		-19.587	-19.587	1F.25
Total out / under performance (%)		-0.32%	-0.77%		-20.970	-20.970	1F.26

Accounts: Table 1F: Financial flows (continued)



Line description	Average 2020/25						RAG 4 Ref
	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	
RoRE (%) (return on regulatory equity)	3.90%	-1.45%	-5.17%	237.055	-88.025	-146.281	1F.17
RCV growth (%)	5.40%	5.40%	5.40%	328.230	328.230	152.781	1F.18
Voluntary sharing arrangements (%)		0.00%	0.00%		0.000	0.000	1F.19
Total shareholder returns (%)	9.30%	3.95%	0.23%	565.286	240.205	6.500	1F.20
Dividends							
Gross dividends (%)	1.80%	0.82%	1.75%	109.410	49.570	49.570	1F.21
Interest Receivable on Intercompany loans (%)		0.56%	1.21%		34.223	34.223	1F.22
Retained Value (%)	7.50%	2.57%	-2.73%	455.876	156.412	-77.293	1F.23
Cash impact of 2015-20 performance adjustments							
Totex out / under performance (%)		-0.02%	-0.05%		-1.306	-1.306	1F.24
ODI out / under performance (%)		-0.51%	-1.09%		-30.753	-30.753	1F.25
Total out / under performance (%)		-0.53%	-1.13%		-32.060	-32.060	1F.26

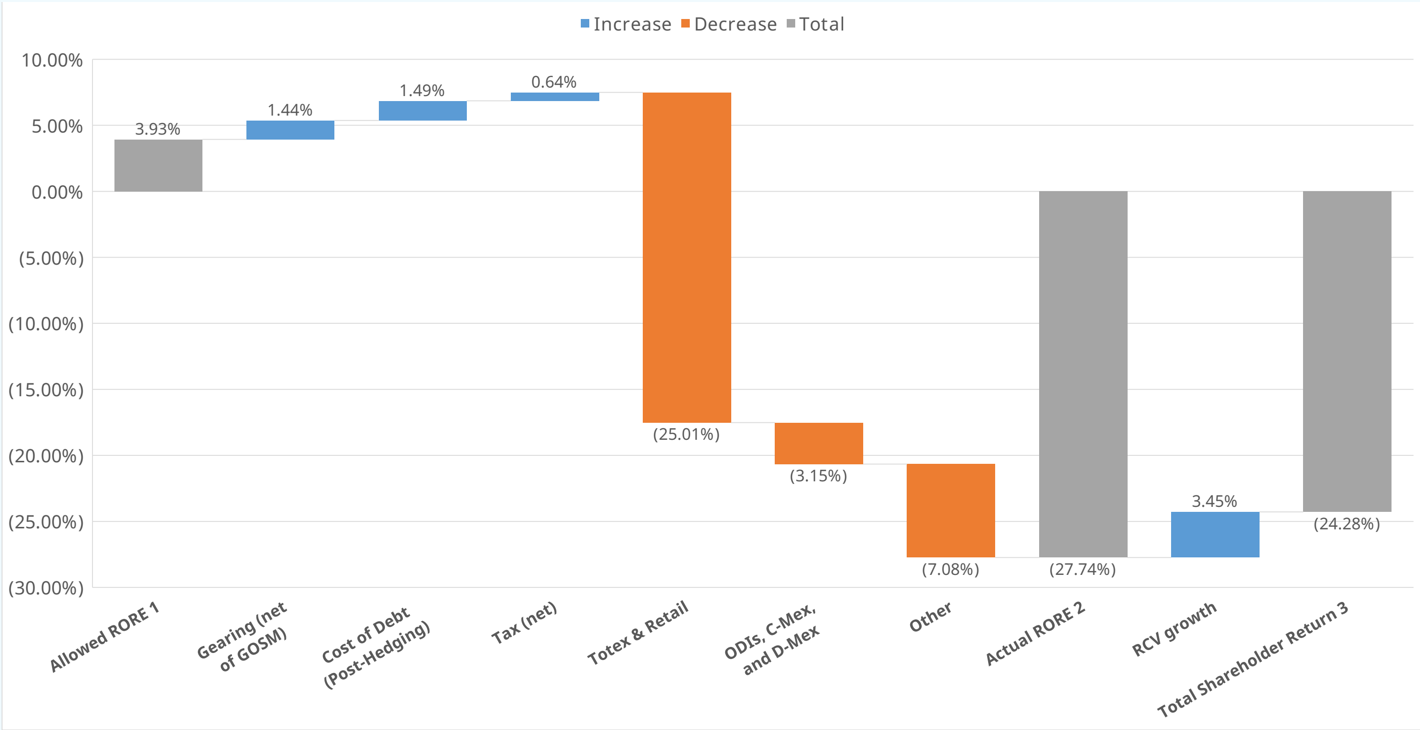
Accounts: Table 1F: Financial flows (continued)

A breakdown of these components is set out in further detail below:

For 2024/25, the Final Determination has set our base return at 3.93% applicable to Ofwat's notional capital structure with a gearing of 60%.

Our financing activities increased returns by 3.57% and can be attributed to the following elements:

- Our cost of debt (unadjusted for hedging instruments) lower than the allowance set by the Final Determination, in real terms. This is shown in Line 7;
- The observed overperformance observed in Line 7 is offset somewhat when adjusting for hedging instruments, as shown in Line 8. This is driven by the swap accretion incurred during the year (arising from inflation), offset marginally by swap income;
- The impact of hedging instruments presented in Table 1F is consistent with financial derivatives set out in Table 4B which includes various inflation linked swaps and interest rate swaps. Note that the cost of debt (unadjusted for hedging instruments) includes the impact of cross currency swaps;
- Our average gearing of 82.81% during the financial year is slightly higher than in 2023/24 which is higher than the 60% assumed by Ofwat for a notional company. The higher gearing amplifies the percentage return to external shareholder, because debt has a lower required return than equity on a notional basis. Another impact of higher gearing levels is that it increases the volatility of external shareholder returns, which become proportionately more sensitive to levels of out- or under-performance. We are responsible for financing our business as efficiently as possible. Our financing structure, the Whole of Business Securitisation, offers additional protections to debt investors enabling us to have higher levels of debt than would otherwise be the case, without reducing our credit-worthiness. These investor protections place clear limits on permitted operational and financing activities undertaken by the Company and also protect customers' interests.



All additional risk associated with having a higher level of debt remains with our external shareholders and is not transferred to customers; and

- The cumulative impact of the Gearing Outperformance Sharing Mechanism for AMP7 to date is in a net-penalty position, due to negative outturns for 2020/21, 2023/24, and 2024/25. As per Ofwat guidance, nil values are reported for years in which a net-benefit position is indicated (2021/22 and 2022/23) and consequently these nil values are used in the calculation of the average penalty to date.

Our operational performance decreased returns for the financial year by 35.23% which is due to various factors:

- We under-performed our wholesale totex largely due to expected acceleration of our capital works programme which was planned in excess of PR19 allowance; Please refer to [Table 4C](#) for further information.
- As we're at the end of AMP7, we've marked any totex variance arising as due to inefficiency rather than timing. This amplifies the impact of underperformance on reported RORE;
- As per Ofwat guidance, the impact of variances in conditional allowance spend has been removed from the calculation of totex underperformance. In 2024/25, this overspend amounted to £39.5 million (nominal);
- Considering the above, reported totex performance was negative and reduced returns by 23.00%;
- Retail spend remains above our allowance as we continue to invest in service improvement. As none of this additional spend is shared with customers, this reduced returns by 2.01%. On a net basis after customer sharing, the combined impact of wholesale totex and retail spend reduced returns by 25.01%;

Accounts: Table 1F: Financial flows (continued)

- The business has incurred material ODI penalties as we under-performed against the challenging targets set by Ofwat's PR19 final determination. A detailed breakdown is provided and the key variances from 2023/24 were pollutions increasing by £9.561 million and £14.548 million for performance commitments measured at the end of the AMP period. This reduced returns by 2.48%;
- C-Mex has declined year on year and the D-MeX penalty is also marginally greater than 2023/24. Across both C-Mex and D-Mex, there was an overall penalty amount of £18.277 million (17/18 real), which reduced returns by 0.67%;
- Exceptional items reduced returns by (7.08%) for 2024/25. In addition to those exceptional items (as defined per the RAG) relating to land sales, pollution fines, and customer compensation claims, we recognised substantial costs pertaining to operational restructuring and Ofwat fines;
- Exceptional finance costs relating to the restructure have not been included in line 15 given this line concerns operational performance. The exclusion of exceptional finance costs from 1F is consistent with previous APR submissions; and
- As per previous submissions, we're not accounting for impairment charges (i.e. credit losses) as exceptional items. For further details of the land sales accounted for in exceptional items, please refer to Table 2L.

Inflation, namely the average yearly growth in CPIH, increases RCV growth by 3.45%.

We do not have any voluntary sharing arrangements for AMP7.

The 2015-20 adjustment reflects the true-ups under the Final Determination for the total out-/under-performance in AMP6 for totex and ODIs, which are reflected in our allowed revenues for AMP7. This is a total reduction of 0.77%.

The average return for AMP 7 (2020/21 to 2024/25)

Our average RORE for AMP7 to date is (5.17%) compared to the allowed RORE of 3.90%, with financing outperformance offset by operational performance.

Accounts: Accounting policies

Reporting overview

Our disclosures in this Annual Performance Report have been prepared in accordance with the Regulatory Accounting Guidelines ('RAG') issued by Ofwat, which are based on IFRS as adopted by the UK Endorsement Board, as applied in our Annual Report and Accounts 2024/25 and clarified within the Ofwat query process.

In completing all tables, we have included all debt relevant to the regulated company. Figures therefore include Thames Water Utilities Limited ('TWUL') and its direct 100% owned subsidiaries Thames Water Utilities Finance plc ('TWUF') and Thames Water Super Senior Issuer plc ('TWSSI').

The following are key differences between the Regulatory Accounting Guidelines and accounting policies reported in our Annual Report and Accounts 2024/25; these are explained further in the policy notes:

- Reclassification of certain costs and incomes to align with regulatory presentation requirements;
- Revenue recognition (IFRS 15) in relation to bad debts; and
- Capitalisation of borrowing costs (IAS 23).

Basis of preparation

The Regulatory Accounting Statements for the twelve months ended 31 March 2025, set out on pages 60 to 74 , have been prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value, and the Disclosure and Transparency Rules ('DTR') issued by the Financial Conduct Authority.

When considering whether the Group and Company are each a going concern, the Directors have had regard to IAS 1 para 25 which states that an entity shall prepare Regulatory Accounting Statements on a going concern basis unless the Directors either intend to liquidate the entity or to cease trading or has no realistic alternative but to do so.

Context

The Directors believe that it is reasonable to assume that actions can be taken such that the Group and Company have adequate resources, for a period of 12 months from the date of approval of the Regulatory Accounting Statements (the "Assessment Period"), to continue operations and discharge its obligations as they fall due. However, there exists a material uncertainty, which could occur in the very near term, which may cast significant doubt on the Group and Company's ability to continue as a going concern in relation to the preparation of the Regulatory Accounting Statements given the Group and Company requires a recapitalisation transaction to be implemented, the outcome and timing of which is not within their control.

The Directors' have made two central assumptions. The first of these is that the restructuring plan sanctioned by the High Court on 21 February 2025 ("RP1") is not successfully appealed and subsequently overturned. The second assumption is that the Group and Company will be able to conclude a holistic recapitalisation, implemented by way of a restructuring plan under Part 26A of the Companies Act 2006 ("RP2"), either within the Assessment Period or shortly thereafter. The Directors expect that for the recapitalisation transaction to be agreed the Company will require the support of multiple stakeholders including its creditors, Ofwat and wider Government and public sector bodies and that RP2 will also require court sanction (noting that such decision to sanction RP2 may be subject to an appeal). The continued support of stakeholders is outside the direct control of the Company. There is, therefore, material uncertainty as to whether the Company will be able to deliver a recapitalisation transaction by way of RP2 successfully, either within the Assessment Period or at all. If it fails to do so, the Company would need to consider all options available to it at the time, but a possible consequence would be a special administration of the Company under the Water Industry Act 1991. Given the multiple interdependencies, these uncertainties could occur in the very near term.

The Directors believe there are three elements that will be key to the success of a recapitalisation process pursuant to RP2 and each of these is itself subject to uncertainty:

1. Liquidity

Ensuring the Company has sufficient liquidity runway is an important step in the Company's process to increase its long-term financial resilience, to attract new equity into the business, restore its investment grade credit rating and address the Section 19 undertakings relating to restoration of investment grade credit ratings agreed with Ofwat last year (as explained further below).

Following a judgment of the High Court of Justice of England and Wales handed down on 18 February 2025, the restructuring plan under Part 26A of the Companies Act 2006 proposed by Thames Water Utilities Holdings Limited ("TWUHL", the Company's immediate parent) was sanctioned pursuant to an order of the High Court dated 21 February 2025. RP1 was designed to provide a sufficient liquidity runway to enable the Company and its Group to achieve a recapitalisation transaction, by extending the Company's liquidity runway.

On 17 March 2025, the sanction order was upheld by the Court of Appeal subject to a limited modification. On 13 June 2025, Charles Maynard MP directly sought the permission of the Supreme Court to appeal the Court of Appeal decision to the Supreme Court (such request for permission having been refused by the Court of Appeal). Such request for permission to appeal remains outstanding, although Charles Maynard MP has requested that it be decided on an expedited basis.

RP1, which remains subject to an appeal process, has enabled, and continues to enable the Company to seek a sustainable recapitalisation transaction. RP1 had three principal elements:

Accounts: Accounting policies (continued)

- It extended the maturities of all Class A Debt and Class B Debt (including amortisation payments, but in each case excluding hedging arrangements under the WBS structure) by two years;
- It permitted a new Super Senior credit facility with an initial committed tranche of £1.5 billion, subject to conditions, and a further £1.5 billion comprising two uncommitted tranches of £750 million each (the "Accordion"), which may be accessible following the satisfaction of certain conditions precedent (some of which are not yet satisfied and remain out of the Group and Company's control); and
- It temporarily suspended a number of the financial and other covenants in the Company's financing documentation.

The Company commenced the drawdown process for the first tranche of funding in April 2025 and second tranche of funding in May 2025. To date, the Company has drawn £715 million of funding from the initial committed tranche, with consent granted on 14 July 2025 for a further two drawdowns which provides additional resources for the Group and the Company through to September 2025. Funding for the further two drawdowns is expected to be provided in late July 2025 and mid-August 2025, in an aggregate amount of £157 million. The remaining £628 million committed super senior funding is expected to provide liquidity through to December 2025 based on the latest Board approved budget. The Group's and Company's liquidity position and cashflow projections are closely monitored and updated regularly; there remains a risk that short term net cash outflows may be higher than expected.

The super senior funding is subject to conditions precedent, and as noted above, it is subject to two conditions precedent that remain unsatisfied and unwaived:

- That a final, unappealable judgment has been provided in respect of RP1. A decision as to whether the Supreme Court will grant Mr Maynard permission to appeal, as submitted on 13 June 2025, has not yet been made and therefore this condition (the 'Appeal Condition') remains outstanding; and
- That, for any drawing on or after 31 July 2025 (save for the £157 million referred to above) a supported lock-up agreement is in place for RP2 (with 66 2/3% of class A creditors and super senior creditors signed up). This date was extended from 30 June 2025 to 31 July 2025 as part of the recent consent process and the Company continues to work in good faith to implement a recapitalisation transaction in order to satisfy this condition, with the ability for further extensions to be granted under a streamlined mechanism with its super senior creditors.

The Company expects to launch further waiver processes whilst these conditions remain unsatisfied. There can be no certainty that its super senior creditors will agree to such waivers, although to date the requisite voting thresholds have been achieved on each occasion with a consent rate of over 95% (including deemed consents) in each waiver process to date, indicating to the Board that the super senior creditors remain, as recently as 14 July 2025, supportive of efforts to conclude a holistic recapitalisation. Any super senior creditor who does not participate in the waiver processes for these conditions precedent will have their commitments deferred until the full super senior funding, including the Accordion, has been obtained (and an amount equal to the deferred amount, can be requested for commitment from other super senior lenders).

The Appeal Condition also applies to the Accordion, which the Company cannot draw until the supported lock-up agreement is in place for RP2 and the CMA referral decision has been made (unless such conditions are waived). The Company expects to seek continued funding (including waivers as needed) from its creditors in the second half of 2025. This additional liquidity is expected, once available, to provide liquidity until September 2026 based on the latest Board approved forecast. As noted above, the super senior creditors have to date been supportive. There can, however, be no certainty that such super senior creditors will provide commitments to fill the £1.5 billion Accordion.

The Company has historically been subject to financial covenant ratio tests which monitor the interest cover and gearing. However, following the implementation of RP1, amendments have been made to the Company's debt documentation. The outcome of these amendments is that the Trigger Events and Events of Default relating to financial ratios are no longer applicable during the ongoing period known as the 'Stable Platform Period' which commenced on 25 February 2025 and will continue until March 2027, by which point the Company expects to have completed its holistic recapitalisation transaction and agreed appropriate go-forward covenants.

During this period, however, the Company and the Group has heightened reporting obligations to its secured creditors under its WBS structure. It also has additional covenants including a minimum liquidity cashflow covenant ("Minimum Liquidity Covenant") requiring, upon a request to drawdown on super senior funding, confirmation that the Company and the Group has sufficient positive liquidity for a rolling 13-week period. Provided that the full £3 billion super senior funding is made available to the Company, the Company considers that the Minimum Liquidity Covenant should continue to be met through the Assessment Period. However, this is subject to uncertainty as the Company and the Group is subject to various demands on liquidity which could be increased as a result of periods of greater cash requirements for the business for ongoing projects, the size and any timing of agreed payment plans in respect of outstanding or future penalty notices (including those outlined below), costs in respect of investigations and enquiries, and potential risks around forecasting accuracy of weekly cash requirements.

Even if creditors agree to commit a further £1.5 billion to fill the Accordion and give any necessary waivers to funding, there is uncertainty as to whether RP2 will be completed before the liquidity is exhausted. In these circumstances, the Company would expect to seek further funding from its creditors. There is uncertainty as to whether creditors would provide such funding.

Accounts: Accounting policies (continued)

2. Financeable and investible Regulatory Settlement

Ofwat published its PR24 Final Determination ('FD') for the Company on 19 December 2024. The Company has concluded that the FD is neither financeable nor investible. It followed a diligent decision-making process with its Executive and Board that resulted in a unanimous decision, announced on 14 February 2025, to ask Ofwat to refer the FD to the CMA for a full redetermination.

On 18 March 2025, the Company announced that it had agreed with Ofwat to defer making the CMA reference for a period of up to 18 weeks to explore the possibility of unlocking a market-led solution for the recapitalisation of the Company. The Company's ad-hoc group of senior creditors (the "AHG Creditors") are currently engaging in intensive and detailed discussions with Ofwat and other stakeholders to seek to agree revised regulatory arrangements that would provide a sustainable basis for investment of new equity and the restructure of the Company's debt. There is uncertainty as to whether these discussions will deliver such outcome.

The Company has continued to work on its statement of case such that it will be ready for submission if at any point in the process it determines that a CMA reference is required. The CMA must take into account the same statutory duties, strategic priorities and objectives (as set out in the Water Industry Act 1991) as Ofwat, including in relation to Ofwat's duty to exercise its powers in the manner which it considers is best calculated to (among other things) secure that water and sewerage undertakers are able (in particular, by securing reasonable returns on their capital) to finance the proper carrying out of their functions.

For the five other water companies who have referred their FD for a CMA redetermination, the CMA has 12 months to issue a decision from the point of referral, being 18 March 2025. If the Company does ultimately withdraw its agreement to defer the CMA reference, the CMA will determine at that point the process to be followed for the redetermination.

There can be no assurance that the CMA would make a re-determination that is more investible or financeable than Ofwat's PR24 FD. An unfavourable CMA determination could increase the risk of a special administration outcome.

3. Equity Raise and Debt Restructure

The Company announced in 2024 that following receipt of the PR24 draft determination it would pursue all options to secure an equity investment from new or existing shareholders. It therefore commenced an equity raise process in the Summer of 2024. The Company started with a pre-marketing phase in July 2024. Parties had access to a comprehensive set of diligence materials throughout the first phase of the equity process, ultimately resulting in five non-binding proposals being received on 5 December 2024 and revised non-binding proposals being received from six parties on 10 February 2025. As part of the review of the revised non-binding proposals, a sub-committee of the Board of the Company met regularly to consider these revised proposals and the Company's financial adviser held clarificatory calls with, and received supplementary information from, the various parties. The Company has kept Ofwat updated throughout this process and Ofwat met with each of these parties.

On 31 March 2025 the Company announced, following the detailed assessment of proposals received, that it had selected KKR to enter the Phase 2 diligence stage of the equity process as preferred partner. The Company's AHG Creditors in parallel progressed work on an alternative proposal to recapitalise the Company. Following a 10-week due diligence process, KKR advised in writing on 2 June 2025 that it was not in a position to proceed and its preferred partner status lapsed. The alternative proposal from the senior creditors was submitted at the same time and the Company is continuing discussions with those senior creditors, Ofwat and other stakeholders on the proposal.

The Board is focussed on putting Thames Water on a more stable financial foundation, implementing its turnaround plan and delivering a market-led solution that is in the best interests of customers, UK taxpayers and the wider economy. Discussions to progress the creditor-led transaction continue, including with Ofwat and the Company's other stakeholders. Agreed transaction terms are targeted for the fourth quarter of 2025 with a view to progressing towards implementation of a transaction by way of RP2 in 2026, although this will depend on the progress in ongoing discussions.

RP2 will also require court sanction. In order for the court to sanction RP2, relevant creditors will need to vote in favour of RP2. In the event that not all relevant creditors vote in favour, the court may exercise its discretion to sanction the plan in any event. There is a risk that creditors and/or shareholders challenge RP2 in the High Court and/or on appeal.

Advisors to the AHG Creditors have confirmed that their clients' priority is to ensure that the creditor-led proposal (and the regulatory support required to deliver it) is implemented as soon as possible. However, there is no certainty that a binding creditor-led proposal will be forthcoming (as it remains subject to diligence, documentation and regulatory and other approvals) or that it will be capable of being implemented.

As a result, there can be no certainty that the creditor-led transaction will raise sufficient (or any) funds for the Company to be able to achieve an investible and financeable PR24 outcome; or that the creditor-led transaction including any associated debt restructuring will receive the support of its stakeholders or court approval.

Accounts: Accounting policies (continued)

Other uncertainties and potential implications

There is continued risk of non-compliance with the Company's instrument of appointment.

On 24 July 2024 Moody's downgraded the Company's corporate family rating to Ba2 with negative outlook (from Baa3) and on 31 July 2024 Standard & Poor's downgraded the Company's Class A debt by two notches to BB with negative outlook (from BBB- previously). Both ratings then fell below the requirements set out in Condition P26 of the Company's Licence requiring two ratings of investment grade to be held. During subsequent months both ratings were downgraded further, with Moody's Corporate Family rating now at Caa3 (stable outlook) and Standard & Poor's Class A rating now at CCC (negative outlook).

As a result of these downgrades by S&P and Moody's, TWUL does not currently hold any issuer grade credit ratings and Ofwat has confirmed it is in breach of Condition P26 of its Licence. A package of undertakings was accepted by Ofwat in which the Company committed to taking all reasonable steps to address the concerns raised by its credit rating agencies and to restore two Investment Grade Ratings. The consultancy firm, L.E.K. Consulting, was appointed as an 'independent monitor' to review the Company's progress and compliance with the undertakings it made to Ofwat. Successfully restoring its investment grade credit rating is reliant on securing an investible and financeable PR24 outcome (which may be subject to a CMA referral), securing new equity investment and completing a sustainable recapitalisation of the business. However, the Directors believe that the Company is currently compliant with the undertakings.

On 28 May 2025, Ofwat issued two penalties to the Company in respect to which the Company is seeking to agree payment plans with Ofwat (of which the payment in relation to the enforcement order would require creditor approval):

- A penalty notice for £18.2 million in respect of its finding of contravention by the Company of Condition P30 of its Licence in relation to certain interim dividend payments made in October 2023 and March 2024. No enforcement order was issued, with Ofwat noting that credit rating downgrades subsequent to those interim dividend payments mean that the Company is now in cash lock-up and is unable to declare or settle any future dividends (without Ofwat's prior consent) until such a time as its investment grade credit ratings have been restored. The inability of the Company to pay a dividend as a result of the cash lock-up and the uncertainty that may arise in relation to future declaration of dividends could affect the equity proposition that the Company represents; and
- An enforcement order which, among other things, requires the Company within 6 months to agree remediation plans with Ofwat, alongside a penalty notice which imposes a penalty of £104.5 million. As part of agreeing remediation plans, the Company is assessing the cost and timing of the capital investment required, which has not been fully funded through the existing Final Determination. It is noted that the parallel investigation into compliance with Environmental Permits at Sewage Treatment Works by the Environment Agency continues and there remains uncertainty as to the conclusion of such investigation and its potential impact on the financial position of the Company.

The Company also faces a number of significant incomplete enquiries, investigations and litigation (as set out in further detail in the notes of the Regulatory Accounting Statements) that could lead to significant fines and penalties, unfunded expenditure costs and claims in damages. The impact of these, including any potential future enquiries, investigations and litigation, could place restraints on the financial resources available to the Company, potential returns to equity investors and further affect the investibility and financeability of the Company.

Taking all of the uncertain factors disclosed in this section together there can be no assurance that the creditor-led transaction will raise sufficient (or any) funds for the Company to be able to achieve an investible and financeable PR24 outcome. In the event that the Company cannot implement the PR24 Business Plan in full, without revised regulatory arrangements, it is possible that it would over time breach the conditions of its Instrument of Appointment, the Water Industry Act 1991, its environmental permits and other legislation.

These could be breached (or be likely to be breached) in such a way that would be serious enough to make it inappropriate for the Company to continue to hold its licence of appointment and give rise to a ground for the Secretary of State (or Ofwat, with the consent of the Secretary of State) to petition the court for a Special Administration Order (including through a significant adverse operational event, depending on its severity). A petition could also be made if the Company is unable to pay its debts. Any or all of these factors, or analogous factors, singularly or in combination, may lead to a Special Administration Order. The purpose of the Special Administration Regime is to enable the functions of a water and sewage undertaker to be carried out whilst a special administrator seeks to rescue the business as a going concern and/or transfer, as a going concern, its undertaking to one or more other companies.

Conclusion

The Directors believe that it is reasonable to assume that the Group and Company will have adequate resources, for a period of 12 months from the date of approval of these Regulatory Accounting Statements, to continue operations and discharge their obligations as they fall due. In assessing whether the Group and Company have adequate resources, for a period of at least 12 months from the date of approval of these Regulatory Accounting Statements, to continue operations and discharge their obligations as they fall due, the Directors have taken into consideration all of the factors set out above.

Accounts: Accounting policies (continued)

However, for the reasons set out above, the Directors believe there exists material uncertainty as to whether the Group and the Company will be able to deliver a recapitalisation transaction by way of RP2 successfully, either within the Assessment Period or at all. If it fails to do so, the Company would need to consider all options available to it at the time, but a possible consequence would be a special administration of the Company under the Water Industry Act 1991. The three elements which will be key to the success of a recapitalisation transaction pursuant to RP2 are each subject to uncertainties which are outside of the Group and Company's control and which could occur in the very near term. Taken together these may cast significant doubt on the Group and the Company's ability to continue as a going concern in relation to the preparation of the Regulatory Accounting Statements.

The Regulatory Accounting Statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

Revenue recognition

Revenue represents income receivable from regulated water and wastewater activities. For regulatory reporting purposes, Ofwat requires a deviation from IFRS15 whereby revenue for amounts billed and deemed uncollectable in the current year are recognised within operating costs in the Annual Performance Report (instead of a direct reduction to revenue as required by IFRS15).

The difference between the amount recorded as revenue in the statutory accounts and the amount recorded as revenue in the regulatory accounts was £117.1 million for the year ended 31 March 2025, as shown in the following table.

Revenue includes an estimate of the amount of water and wastewater charges unbilled at the year end. This accrual is estimated using a defined methodology based on a measure of unbilled water consumed by tariff, calculated from historical billing information. There are no material changes to the methodology applied in the current period.

Appointed Activities Units: £m	
Statutory revenue	2,738.200
Bad debt reclassified to opex	42.465
Reclassification of sludge cake sales to opex	(1.102)
Reclassification of grants & contributions to other income	(1.320)
Non-appointed income	(157.162)
Appointed revenue	2,621.081

Price control segments

Price controls relate to specific products and services which we provide to customers. The following price controls are applicable during the financial year:

- Water network plus: transport and storage of raw water, treatment and distribution of water to our customers through our water network;
- Wastewater network plus: our sewer network, treatment of sewage and treatment of sludge liquors;
- Water resources: abstracting raw water;
- Bioresources: the transport, treatment and disposal of sludge;
- Retail Household: provides certain customer-facing activities including billing and revenue collection for household customers;
- Retail Non-Household: On 1 April 2017, we transferred our non-household customers to Castle Water Limited, and ceased to act as non-household retailer, however we continue to recognise wholesale revenue from these customers via third-party non-household retailers; and
- Thames Tideway Tunnel: responsible for the construction of interface works to the Thames Tideway Tunnel.

Accounts: Accounting policies (continued)

We allocate all costs either directly or indirectly in accordance with 'RAG2.09 – Guideline for classification of costs across the price controls'. The full details of how costs have been allocated is within our Accounting Methodology Statement which can be found on our website.

There are no significant changes in our allocation methodology in the current period.

Financial information within our finance system (SAP) is recorded by expenditure type within specific cost centres. Where possible, operating costs are attributed at the lowest level within the cost centre hierarchy, the relevant process level appropriate to the type of cost and price control. However, certain costs are recorded at a higher level in the cost centre hierarchy where they do not specifically relate to a process or if the cost is a support related cost.

We use a cloud-based business modelling and planning application (SAP Analytics Cloud) to produce the operating expenditure component of our regulatory tables. SAP remains the primary financial accounting and management tool used by the business and is the source of the data used in SAP Analytics Cloud.

Where possible, capital expenditure and associated depreciation are directly attributed to one of the price controls. Where this is not possible, as an asset is used by more than one of the price controls, the capital expenditure and depreciation are reported in the price control where the service of principal use occurs with a recharge for use, equivalent to depreciation, being made to the other price controls reflecting the proportion of the asset used by them.

Occupied household properties policy

An occupier is any person who owns a premises or who has agreed with the Company to pay water and sewerage services in respect of the premises. No bills are raised in the name of "the occupier", other than in the circumstances outlined in the 'Unoccupied properties policy' section below. The property management process is followed to identify whether the property is occupied or not.

The property management process consists of the following:

- Mailings;
- Customer contacts;
- Meter reading for metered properties;
- Land registry checks; and
- Credit reference agency data.

Unoccupied household properties policy

Revenue is not recognised in respect of unoccupied properties. Properties are classified as unoccupied when:

- A new property has been connected but is unoccupied and unfurnished;
- We have been informed that the customer has left the property;
- It is unfurnished and not expected to be reoccupied immediately;
- It has been disconnected following a customer request;
- The identity of the customer is unknown; and
- We've been informed that the customer is in a care home, in long term hospitalisation, in prison or overseas long-term.

The Company only raises bills in the name of the 'occupier' when it has evidence that a property is occupied but cannot confirm the name of the occupier. When the Company identifies the occupant, the bill is cancelled and re-billed in the customer's name. If the Company has not identified an occupant within six months the bill is cancelled, and the property is classified as empty.

When a property is classified as unoccupied, a defined process is followed to verify when the property becomes occupied and/or obtain the name of the customer in order to initiate billing.

The residency confirmation process comprises a number of steps which include using external and internal information for desk-top research to confirm the property status (occupied/empty) and, where possible, to identify the occupier's name.

The property will only cease to be classified as unoccupied when a named customer is identified and billed.

The Company does not recognise income in respect of empty properties. If the Company has turned off the supply of water at the mains to a property at a customer's request, then water supply charges are not payable.

A customer may request the supply to be turned off in instances such as the property is to be demolished or where a house previously converted into flats (and additional supplies made) is to be converted back into a house.

If the occupier's name is not obtained at this point, the property will remain classified as unoccupied, and the residency confirmation process will be re-started after one to six months. If these steps confirm that a property appears to be empty, then the supply may be turned off.

Accounts: Accounting policies (continued)

The following activities are undertaken to check properties classified as unoccupied are in fact not occupied:

- Where the customer has left a property and it is expected to be occupied by someone else, a welcome letter is sent to the property explaining to the occupier how to register as the new account holder;
- Where there is no response to the welcome letter within two months a further letter is sent to the property explaining that the property has been classified as void and may be scheduled for disconnection as a result;
- Meter readings are taken for metered unoccupied properties and where consumption is recorded a letter is sent to the property; and
- Inspections are organised throughout the year to check for occupancy status.

New household properties

All new properties are metered. Charges accrue from the date at which the meter is installed. The developer is billed between the date of connection and first occupancy, and this is recognised as revenue.

If the developer is no longer responsible for the property and no new occupier has been identified, the property management process referred to above is followed to identify the new occupier. Until the new occupier has been identified the property is treated as unoccupied and is not billed.

Household disconnections policy

Premises listed in Schedule 4A of the Water Industry Act 1991 (any dwelling occupied by a person as his or her only or principal home) cannot be disconnected for non-payment of charges. However, the following provisions do apply in respect of any disconnections:

- If the water supply to any premises is disconnected for any reason, but we continue to provide sewerage services to those premises, the customer will be charged the appropriate Sewerage Unmeasured Tariff unless it can be demonstrated that the premises will be unoccupied for the period that the premises are disconnected, in which case there is no charge. Revenue is recognised for sewerage services up to the point we are aware the property becomes unoccupied;
- If it is found subsequently that the premises were occupied for any period when we were advised that the premises would be unoccupied, the appropriate Sewerage Unmeasured Tariff will then apply to that period and appropriate retrospective bills are raised, and revenue recognised at that point; and
- In the event that we suspect that a property is occupied but we have no record of the occupier, we take steps to establish the identity of the occupier in order that billing can commence, and revenue be recognised. An occupier is defined to include any person who owns premises as set out in the ‘Occupied properties policy’ above and also any person who has agreed with us to pay water supply and/or sewerage charges in respect of any premises (e.g. a Bulk Meter Agreement).

Accounts: Accounting policies (continued)

Metered sales accrual ('MSA') reconciliation: retrospective review of household measured income accrual

Appointed income for the year ended 31 March 2024 included a measured income accrual of £260.2 million. The value of billing subsequently recognised in the year ended 31 March 2025 for consumption in the prior year was £274.8 million (total revenue of £278.9 million of which £4.1 million is unbilled).

This has resulted in an increase in the current year's revenue due to the under-estimation of the prior year's measured income accrual:

MSA	£m	£m
System Accrual - Main	246.038	
System Accrual - WaterSure/WaterHelp	-6.133	
System Accrual		239.905
Excluded (Capped at 2 yrs)	5.243	
Excluded Provision	-1.311	
Excluded		3.932
New Accounts		1.590
Management Judgement		13.766
Subtotal		259.193
Re-registered in Household		1.019
Total accrual		260.212

Unwind	£m	£m
Billed - main	249.412	
Billed - WaterSure/WaterHelp	-6.648	
Still in accrual	4.169	
		246.933
Excluded		23.650
New Accounts		0.120
Subtotal		270.703
Re-registered in Household		0.116
Customer switching from unmeasured to metered		8.113
		278.932

Accounts: Accounting policies (continued)

Capitalisation

The regulatory accounts policy on Property, Plant and Equipment ('PP&E') follows the statutory accounting policies with the exception of borrowing costs. No changes have been made to this policy since the prior reporting period.

In the statutory accounts, borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the associated asset. All other borrowing costs are included as finance expenses within the income statement.

For regulatory reporting purposes borrowing costs may not be capitalised. The regulatory approach, which differs from IAS 23, results in an additional £187.1 million being recognised in interest expense and £10.0 million decrease in depreciation within the regulatory accounts for 2024/25.

Bad debt

The Company applies the IFRS9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, contract assets and insurance claims receivable. The Company's assessment for calculating expected credit losses is explained below. In addition, management has considered ongoing cost of living challenges and the impact of higher customer bills.

During the year ended 31 March 2025, we have seen a decrease in our overall bad debt cost, driven by changes in anticipated collection performance across our debt portfolio.

Directly billed

A bad debt model is used to calculate the provision for directly billed customers. This uses performance in the year to determine the level of provision required. The model takes the closing receivables balance and then deducts the amounts that are expected to be collected or cancelled based on performance in the year.

The amount that remains will be uncollectable and therefore needs to be covered by a bad debt provision. Debt that is older than four years is fully provided for. There are also provisions to cover billing that is cancelled and not re-billed and also the collectability of any rebilling and a bad debt provision against unbilled debtors, which are debts that have not been billed yet but are part of the metered sales accrual.

Using the output of the model together with management's judgement of expected performance in the future, a management judgement is formed regarding the level of provision required for future credit losses.

Directly Billed Write Off Policy

Our bad debt write-off policy has remained unchanged and has been consistently applied in the current year. Debt is only written off after all available economic options for collecting the debt have been exhausted and the debt has been deemed to be uncollectable. This may be because the debt is impossible, impractical, inefficient or uneconomic to collect.

Situations where this may arise and where debt may be written off are as follows:

- Where the customer has absconded without paying and strategies to trace their whereabouts and collect outstanding monies have been fully exhausted;
- Where the customer has died without leaving an estate or has left an insufficient estate on which to levy execution;
- Where the value of the debt makes it uneconomic to pursue – all debts of less than £5 are written off;
- Where the age of the debt exceeds the statute of limitations – all debts of greater than six 5years old are written off, taking into account usual business rules;
- Where county court proceedings and attempts to recover the debt-by-debt collection agencies (multiple in some cases) have proved unsuccessful including where the customer does not have any assets/has insufficient assets on which to levy execution; and
- Where the customer has been declared bankrupt, is in liquidation or is subject to insolvency proceedings or a debt relief order and no dividend has been or is likely to be received.

For debt to be written off there must be a legitimate charge against the debtor and no reasonable expectation of recovery. Disclosure is made for information regarding financial assets that are written off but are still subject to enforcement activity.

Water Only Companies ('WOCs')

A provision is also made against debts held by WOCs who bill their customers for sewerage services on behalf of us. Since detailed information is limited about the debt held on our behalf by the WOCs, we use an average of two data points when calculating the provisions – WOC Statutory Accounts and TW directly billed ('DB') provision rates - taking a single data point is not appropriate as collection rates, write-off and provisioning policies, differ from company to company.

Where provision rates have been provided by the WOCs this has been used as it accurately reflects the provision required to cover future write-offs.

Accounts: Accounting policies (continued)

BTL

The arrangement with BTL means the Company has included construction costs of the Thames Tideway Tunnel within its bills to wastewater customers. As cash is collected, these amounts are subsequently paid to BTL. This arrangement gives rise to the recognition of revenue within the Company and associated bad debt.

The bad debt methodology is consistent with directly billed customers.

Non-Household Customers

The Company has assessed the risk of credit losses for non-household customers to be low and therefore no bad debt provision has been made.

Appointed profit before tax reconciliation

Operating profit:	£m
Statutory operating profit	(799.300)
Reclassification of grants and contributions to other income	(103.860)
Capitalised grants and contributions to PP&E	(26.521)
Reclassification of rental income to other income	(3.043)
Capitalised borrowings depreciation	9.982
Derecognition of innovation fund provision	8.563
Reclassification of capital income to other income	(0.776)
Non-appointed	1,123.461
Appointed operating profit	208.506
Other income:	
Statutory other income	0.000
Reclassification of grants and contributions to other income	103.860
Reclassification of rental income to other income	3.043
Reclassification of capital income to other income	0.776
Non-appointed	(0.132)
Appointed other income	107.547
Profit before tax:	
Statutory profit before tax	(1,646.641)
Capitalised borrowings	(177.138)
Capitalised grants and contributions to PP&E	(26.521)
Derecognition of innovation fund provision	8.563
Non-appointed	1,123.329
Regulatory profit before tax	(718.408)

Accounts: Accounting policies (continued)

Notes on the tax reconciliation

Disallowable expenditure primarily relates to fines and exceptional restructuring costs included in operating expenses.

Tax reconciliation assumptions

Disallowable expenditure primarily relates to fines included in operating expenses.

Non-taxable income relates primarily to income received towards fixed assets such as new service connections. This income is reflected in the accounts as non-taxable income under IFRS principles, while the cost of the new fixed assets is not eligible for capital allowances.

Capital allowances for the year lower than depreciation: In the current year, capital allowances claimed were lower than depreciation in order to avoid tax losses arising in the current year and to reduce tax losses arising in the prior year.

Capitalised borrowing costs are eligible for a full tax deduction in the year.

Fair value losses / (profits) on financial derivatives are predominantly non-taxable and non-deductible respectively, as instead they are usually taxed as the cash flows arise. Deferred tax is provided on all temporary differences.

Impact of tax losses not paid for at standard rate: In the current year, all taxable profits of the Group will be covered by group relief bought from a group company for which no payment will be made. Tax losses arising in the underlying business will be used to cover the taxable profits of BTL, for which no payment will be made as all amounts arose within the Company. Tax charges for BTL are calculated based on the profit before tax and any non-taxable/non-allowable transactions related to BTL.

Current tax reconciliation 2024/25

Line description Units: £m	Total	Non-appointed	Appointed
Profit / (loss) before tax and fair value movements	(1,406.141)	(1,123.328)	(282.813)
Differences between statutory and regulatory definitions - mainly interest not shown as capitalised	(195.096)		(195.096)
Profit/(loss) on ordinary activities before taxation as shown for regulatory purposes	(1,601.237)	(1,123.328)	(477.909)
Tax at 25%	(400.309)	(280.832)	(119.477)
Charge / (Credit) effects of:			
Depreciation on assets that do not qualify for relief	6.428	-	6.428
Disallowable expenditure	41.421	-	41.421
Profit / (loss) before tax and fair value movements			
Non-taxable income	(15.565)	(15.565)	
Capital allowances for the year lower than depreciation	140.724	0.009	140.715
Capitalised borrowing costs allowable for tax	(46.780)	-	(46.780)
Losses / (profits) on financial derivatives	4.233	-	4.233
Pension cost charge (lower than)/ in excess of pension contributions	(2.975)	-	(2.975)
Other short term timing differences	(7.315)	-	(7.315)
Impact of tax losses not paid for at standard rate	(26.156)	-	(26.156)
Expected credit losses	317.645	317.645	-
Differences between statutory and regulatory definitions - mainly capitalised interest	48.774	-	48.774
Differences between statutory and regulatory definitions - fair value gains/ (losses) on financial instruments	(60.125)	-	(60.125)
Subtotal	-	36.822	(36.822)

Accounts: Accounting policies (continued)

Tax reconciliation assumptions (continued)

Fair value gains on financial instruments of £240.500 million are booked in the statutory accounts but are not included in "Profit/(loss) on ordinary activities before taxation as shown for regulatory purposes".

Offsetting of taxable profits and losses within the legal entity: The appointed business is sharing tax losses worth £36.822 million with the non-appointed business, for which no payment is made, as both are within the same company. These losses are related to the prior year adjustment shown lower in this table.

Adjustments in respect of prior periods – group relief: During the current year, the Group finalised its corporation tax returns for the 31 March 2024. It had expected to pay for group relief claimed from other group companies at the standard rate, however, it has been agreed that no payment will be made for the group relief claims by the securitised group. Therefore, the group relief tax charge for 31 March 2024 has been reversed in the current year, while the deferred tax prior year charge arose at 25% from the higher capital allowance claim and the sale of losses for the prior year.

Additional notes on our tax reconciliation assumptions

The group relief credit of £41.933 million comprises a current year tax charge of nil less a prior year credit of £41.933 million which is solely in the appointed business.

During the current year, the Group finalised its corporation tax returns for the period ending 31 March 2024. It had expected to pay for group relief claimed from other group companies at the standard rate, however, it has been agreed that no payment will be made for the group relief claims by the securitised group. Therefore, the group relief tax charge for 31 March 2024 has been reversed in the current year and the group relief claim for the current year will not incur a tax charge.

Current tax reconciliation 2024/25 (continued)

Line description Units: £m	Total	Non-appointed	Appointed
Subtotal	-	36.822	(36.822)
Offsetting of taxable profits and losses within the legal entity	-	(36.822)	36.822
Charge/(credit) in respect of group relief for the year	-	-	-
Adjustments in respect of prior periods – group relief	(41.933)	-	(41.933)
Total current tax charge/(credit) on profit/(loss) on ordinary activities	(41.933)	-	(41.933)
Current tax for current year	-	-	-
Current tax for prior year	(41.933)	-	(41.933)
Total current tax	(41.933)	-	(41.933)

Tax charged in the income statement

Line description Units: £m	Total	Non-appointed	Appointed
Charge/(credit) in respect of group relief for the year	(41.933)	-	(41.933)
Adjustments in respect of prior periods – group relief	(90.959)	(0.009)	(90.950)
Total current tax charge/(credit) on profit/(loss) on ordinary activities	(132.892)	(0.009)	(132.883)

Reconciliation to total current tax charge allowed in price limits

Line description Units: £m	Appointed
Current tax charge allowed in price limits	-
Charge (credit) in respect of group relief for the year	-
Credit in respect of group relief for prior years	(41.933)
Total current tax charge/ (credit) on profit on ordinary activities	(41.933)

Our 2024/25 price review and other segmental reporting (Tables 2A - 2O)

Accounts: Table 2A: Segmental income statement for the 12 months ended 31 March 2025

This table provides information of our appointed business split by the price control units defined by Ofwat.

Further information regarding performance by price control units can be found in Tables 2C (retail cost analysis), Tables 4D (totex analysis – water resources and water network+ and 4E (totex analysis – wastewater network + and bioresources) and our Accounting Methodology Statement on our website.

Line description Units: £m	Residential Retail	Business retail	Water resources	Water Network+	Waste Network+	Bio-resources	TTT	Total	RAG4 Ref
Revenue - price control	129.067	0.000	124.716	1,065.357	1,019.952	212.881	51.515	2,603.488	2A.1
Revenue - non price control	0.000	0.000	0.000	9.096	8.500	0.000	0.000	17.596	2A.2
Operating expenditure - excluding PU recharge impact	-197.292	0.000	-85.709	-538.841	-727.629	-91.215	-2.846	-1,643.532	2A.3
PU opex recharge	-4.703	0.000	-0.997	-11.859	13.158	4.401	0.000	0.000	2A.4
Operating expenditure - including PU recharge impact	-201.995	0.000	-86.706	-550.700	-714.471	-86.814	-2.846	-1,643.532	2A.5
Depreciation - tangible fixed assets	-3.390	0.000	-9.492	-372.244	-242.718	-71.323	-3.519	-702.686	2A.6
Amortisation - intangible fixed assets	-22.897	0.000	-0.080	-7.627	-38.434	-0.126	0.000	-69.164	2A.7
Other operating income	0.770	0.000	-0.016	0.737	6.048	-0.012	0.002	7.529	2A.8
Operating profit	-98.445	0.000	28.422	144.619	38.877	54.606	45.152	213.231	2A.9
Surface water drainage rebates									
Surface water drainage rebates								4.739	2A.10

Accounts: Table 2B: Totex analysis for the 12 months ended 31 March 2025 – wholesale

This table breaks down the wholesale totex expenditure from Table 2A into the wholesale price control units and cost categories required to be reported on by Ofwat.

There's no additional narrative for this table.

Line description Units: £m	Water resources	Water Network+	Waste Network+	Bio-resources	TTT	Total	RAG4 Ref
Base operating expenditure							
Power	26.713	78.198	133.058	-15.910	0.000	222.059	2B.1
Income treated as negative expenditure	-0.062	0.027	0.000	-15.671	0.000	-15.706	2B.2
Service charges/ discharge consents	23.574	0.000	10.299	0.000	0.000	33.873	2B.3
Bulk Supply/Bulk discharge	5.358	0.000	3.238	0.000	0.000	8.596	2B.4
Renewals expensed in year (Infrastructure)	0.000	75.344	89.619	0.000	0.000	164.963	2B.5
Renewals expensed in year (Non-Infrastructure)	0.000	0.000	0.000	0.000	0.000	0.000	2B.6
Other operating expenditure (including location specific costs & obligations)	14.884	267.061	389.930	106.811	2.846	781.532	2B.7
Local authority and Cumulo rates	3.605	73.486	49.869	0.588	0.000	127.548	2B.8
Total base operating expenditure	74.072	494.116	676.013	75.818	2.846	1,322.865	2B.9
Other operating expenditure							
Enhancement operating expenditure	7.379	8.180	1.843	0.000	0.000	17.402	2B.10
Developer services operating expenditure	0.000	7.143	2.363	0.000	0.000	9.506	2B.11
Total operating expenditure excluding third party services	81.451	509.439	680.219	75.818	2.846	1,349.773	2B.12
Third party services	5.255	41.261	34.252	10.996	0.000	91.764	2B.13
Total operating expenditure	86.706	550.700	714.471	86.814	2.846	1,441.537	2B.14

Accounts: Table 2B: Totex analysis – wholesale (continued)

This table breaks down the wholesale totex expenditure from Table 2A into the wholesale price control units and cost categories required to be reported on by Ofwat.

Line description Units: £m	Water resources	Water Network+	Waste Network+	Bio-resources	TTT	Total	RAG4 Ref
Grants and contributions							
Grants and contributions - operating expenditure	0.000	2.072	1.750	0.000	0.000	3.822	2B.15
Capital expenditure							
Base capital expenditure	14.361	436.254	492.768	91.989	11.559	1,046.931	2B.16
Enhancement capital expenditure	46.255	287.434	340.078	17.908	31.009	722.684	2B.17
Developer services capital expenditure	0.000	96.616	22.399	0.000	0.000	119.015	2B.18
Total gross capital expenditure excluding third party services	60.616	820.304	855.245	109.897	42.568	1,888.630	2B.19
Third party services	0.000	0.000	0.000	0.000	0.000	0.000	2B.20
Total gross capital expenditure	60.616	820.304	855.245	109.897	42.568	1,888.630	2B.21
Grants and contributions							
Grants and contributions - capital expenditure	-4.722	56.348	58.331	0.000	0.000	109.957	2B.22
Net totex	152.044	1,312.584	1,509.635	196.711	45.414	3,216.388	2B.23
Cash expenditure							
Pension deficit recovery payments	0.715	8.814	7.845	2.625	0.000	20.000	2B.24
Other cash items	0.000	0.000	0.000	0.000	0.000	0.000	2B.25
Totex including cash items	152.759	1,321.398	1,517.480	199.336	45.414	3,236.388	2B.26

Accounts: Table 2C: Cost analysis for the 12 months ended 31 March 2025 - retail

This table breaks down the retail operating costs included in Table 2A into the cost categories required to be reported on by Ofwat.

Additional narrative on the cost analysis for retail

Total operating costs for retail household was £228.3 million in 2024/25. This is £71.6 million higher than the allowed residential expenditure in the FD; and £6.5 million higher than in 2023/24 in when adjusted for CPI.

The 2024/25 expenditure increase is mainly driven by increased transformational activities including customer complaints, in addition to meter reading and debt management costs as we continue to scale up our metering activities and customer engagement. This is offset by a reduction in the doubtful debt charge as a result of changes in revenue collection performance.

Household customer figures in the region have increased from 5.77 million in 2023/24 to 5.81 million in the current year.

Thames Water exited the non-household retail market at Market Opening in April 2017.

Line description Units: £m	Residential	Business	Total	RAG4 Ref
Operating Expenditure				
Customer services	70.598	0.000	70.598	2C.1
Debt management	28.920	0.000	28.920	2C.2
Doubtful debts	85.862	0.000	85.862	2C.3
Meter reading	10.970	0.000	10.970	2C.4
Other operating expenditure	0.445	0.000	0.445	2C.5
Local authority and Cumulo rates	0.497	0.000	0.497	2C.6
Total operating expenditure excluding third party services	197.292	0.000	197.292	2C.7
Depreciation				
Depreciation (tangible fixed assets) on assets existing at 31 March 2015	0.140	0.000	0.140	2C.8
Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	3.250	0.000	3.250	2C.9
Amortisation (intangible fixed assets) on assets existing at 31 March 2015	0.000	0.000	0.000	2C.10
Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	22.897	0.000	22.897	2C.11
Recharges				
Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	0.000	0.000	0.000	2C.12
Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	0.000	0.000	0.000	2C.13
Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	4.703	0.000	4.703	2C.14
Income from wholesale assets acquired after 1 April 2015 principally used by retail	0.000	0.000	0.000	2C.15
Net recharges costs	4.703	0.000	4.703	2C.16
Total retail costs excluding third party and pension deficit repair costs	228.282	0.000	228.282	2C.17
Third party services operating expenditure	0.000	0.000	0.000	2C.18
Pension deficit repair costs	0.000	0.000	0.000	2C.19
Total retail costs including third party and pension deficit repair costs	228.282	0.000	228.282	2C.20

Accounts: Table 2C: Cost analysis for the 12 months ended 31 March 2025 – retail (continued)

Line description Units: £m	Residential	Business	Total	RAG4 Ref
Debt written off				
Debt written off	75.361	0.000	75.361	2C.21
Capital expenditure				
Capital expenditure	10.035	0.000	10.035	2C.22
Comparison of actual and allowed expenditure				
Cumulative actual retail expenditure to reporting year end	1,181.295			2C.23
Cumulative allowed expenditure to reporting year end	834.238			2C.24
Total allowed expenditure 2020-25	834.238			2C.25

Accounts: Table 2D: Historic cost analysis of tangible fixed assets at 31 March 2025

This table shows changes in the fixed assets across our price control units. Our accounting policies with relation to fixed assets and depreciation are set out in full in our Annual Report and Accounts 2024/25.

The net book value includes £2,689.3 million in respect of assets in the course of construction. An amount of £50.0 million relating to an investment property is included in the gross cost.

Line description Units: £m	Residential Retail	Business retail	Water resources	Water Network+	Waste Network+	Bio-resources	TTT	Total	RAG4 Ref
Cost									
At 1 April 2024	77.239	0.000	420.794	11,799.123	9,583.170	1,514.708	1,332.682	24,727.716	2D.1
Disposals	-23.562	0.000	-1.383	-68.528	-30.374	-4.449	-15.446	-143.742	2D.2
Additions	0.033	0.000	60.495	816.006	834.912	102.886	42.568	1,856.900	2D.3
Adjustments	-0.085	0.000	8.715	-5.278	41.236	-47.331	10.789	8.046	2D.4
Assets adopted at nil cost	0.000	0.000	0.000	19.565	91.029	0.000	0.000	110.594	2D.5
At 31 March 2025	53.625	0.000	488.621	12,560.888	10,519.973	1,565.814	1,370.593	26,559.514	2D.6
Depreciation									
At 1 April 2024	-55.218	0.000	-73.606	-3,276.451	-2,379.481	-600.014	-13.674	-6,398.444	2D.7
Disposals	23.562	0.000	0.797	69.206	27.310	6.773	0.000	127.648	2D.8
Adjustments	0.158	0.000	4.087	11.979	-18.151	5.727	-2.656	1.144	2D.9
Charge for year	-3.390	0.000	-9.492	-372.244	-242.718	-71.323	-3.519	-702.686	2D.10
At 31 March 2025	-34.888	0.000	-78.214	-3,567.510	-2,613.040	-658.837	-19.849	-6,972.338	2D.11
Net book amount at 31 March 2025	18.737	0.000	410.407	8,993.378	7,906.933	906.977	1,350.744	19,587.176	2D.12
Net book amount at 1 April 2024	22.021	0.000	347.188	8,522.672	7,203.689	914.694	1,319.008	18,329.272	2D.13
Principal services	-3.390	0.000	-9.492	-371.785	-242.332	-71.323	-3.519	-701.841	2D.14
Third party services	0.000	0.000	0.000	-0.459	-0.385	0.000	0.000	-0.844	2D.15
Total	-3.390	0.000	-9.492	-372.244	-242.717	-71.323	-3.519	-702.685	2D.16

Accounts: Table 2E: Analysis of 'grants and contributions' for the 12 months ended 31 March 2025 – water resources, water network plus and wastewater network plus

This table shows information on capital contributions by other organisations and the related cost of assets constructed.

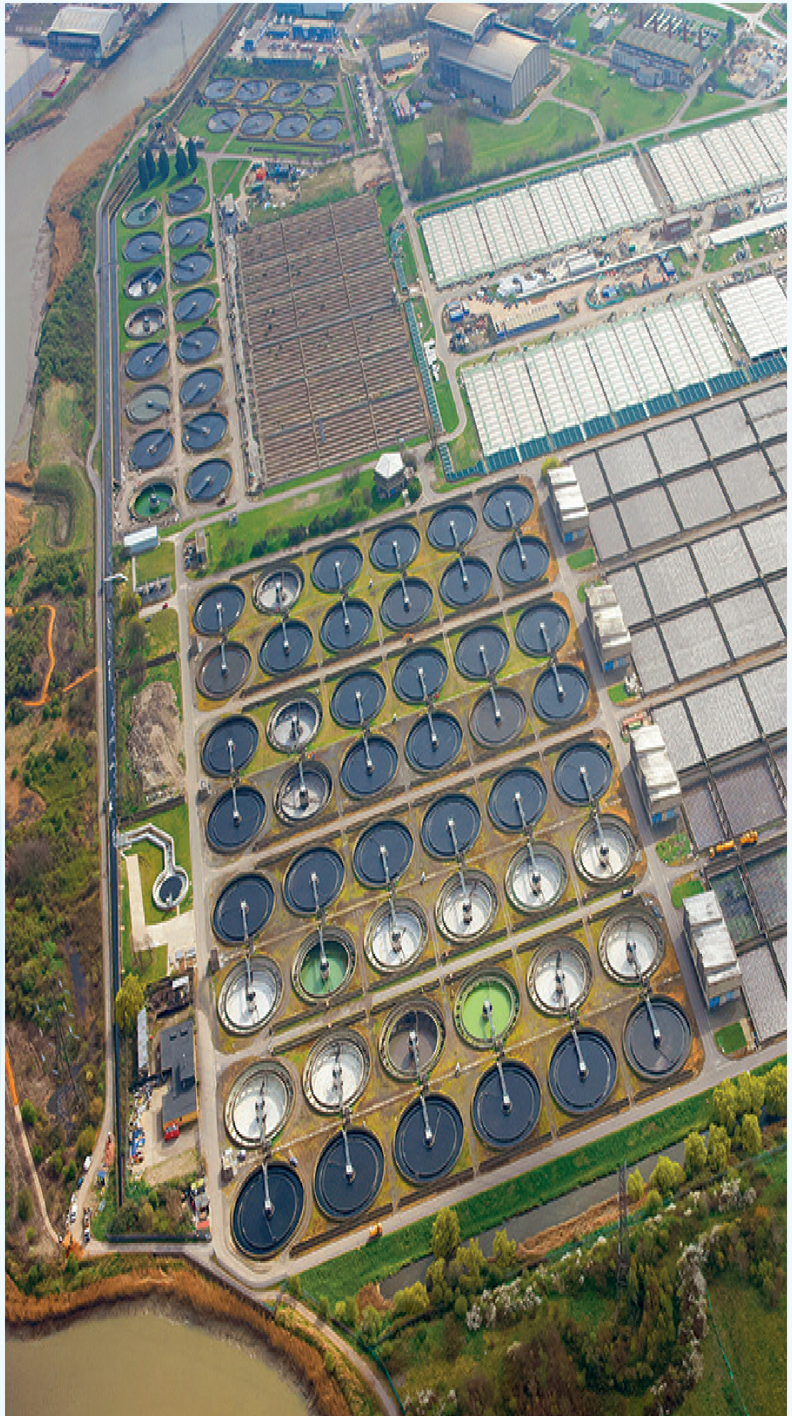
Additional narrative on grants and contributions

In 2024/25 contributions from Affinity Water for Strategic Resource Options ('SRO') projects, including the Abingdon Reservoir and Severn Thames Transfer have been excluded from Table 2E. This is in line with Ofwat guidance that contributions are to be netted-off against the capitalised SRO costs within fixed assets as a statutory to regulatory difference in Table 1A.

Within 2024/25, a prior year correction of £4.7 million of SRO contributions has been processed to true up the AMP7 position. These amounts were previously reported in Table 2E and capitalised in line with the regulatory treatment above.

Line description Units: £m	Fully recognised in income statement	Capitalised and amortised (in income statement)	Fully netted off capex	Total	RAG4 Ref
Grants and contributions - water resources					
Diversions - s185	0.000	0.000	0.000	0.000	2E.1
Other contributions (price control)	-4.722	0.000	0.000	-4.722	2E.2
Price control grants and contributions	-4.722	0.000	0.000	-4.722	2E.3
Diversions - NRSWA	0.000	0.000	0.000	0.000	2E.4
Diversions - other non-price control	0.000	0.000	0.000	0.000	2E.5
Other contributions (non-price control)	0.000	0.000	0.000	0.000	2E.6
Total grants and contributions	-4.722	0.000	0.000	-4.722	2E.7
Value of adopted assets	0.000	0.000		0.000	2E.8
Grants and contributions - water network+					
Connection charges	22.825	0.000	0.000	22.825	2E.9
Infrastructure charge receipts – new connections	0.000	16.251	0.000	16.251	2E.10
Requisitioned mains	4.494	0.000	0.000	4.494	2E.11
Diversions - s185	6.938	0.000	0.000	6.938	2E.12
Other contributions (price control)	0.000	0.000	0.000	0.000	2E.13
Price control grants and contributions before deduction of income offset	34.257	16.251	0.000	50.508	2E.14
Income offset	0.000	5.135	0.000	5.135	2E.15
Price control grants and contributions after deduction of income offset	34.257	11.116	0.000	45.373	2E.16
Diversions - NRSWA	8.473	0.000	0.000	8.473	2E.17
Diversions - other non-price control	1.476	0.000	0.000	1.476	2E.18
Other contributions (non-price control)	2.812	0.288	0.000	3.100	2E.19
Total grants and contributions	47.018	11.404	0.000	58.422	2E.20
Value of adopted assets	0.000	19.605		19.605	2E.21

Accounts: Table 2E: Analysis of 'grants and contributions' for the 12 months ended 31 March 2025 – water resources, water network plus and wastewater network plus (continued)



Line description Units: £m	Fully recognised in income statement	Capitalised and amortised (in income statement)	Fully netted off capex	Total	RAG4 Ref
Grants and contributions - wastewater network+					
Receipts for on-site work	0.429	0.000	0.000	0.429	2E.22
Infrastructure charge receipts – new connections	0.000	14.129	0.000	14.129	2E.23
Diversions - s185	5.919	0.000	0.000	5.919	2E.24
Other contributions (price control)	1.473	0.000	0.000	1.473	2E.25
Price control grants and contributions before deduction of income offset	7.821	14.129	0.000	21.950	2E.26
Income offset	0.000	0.396	0.000	0.396	2E.27
Price control grants and contributions after deduction of income offset	7.821	13.733	0.000	21.554	2E.28
Diversions - NRSWA	0.736	0.000	0.000	0.736	2E.29
Diversions - other non-price control	2.956	0.000	0.000	2.956	2E.30
Other Contributions (non-price control)	34.792	0.042	0.000	34.834	2E.31
Total grants and contributions	46.305	13.775	0.000	60.080	2E.32
Value of adopted assets	0.000	90.644		90.644	2E.33
Movements in capitalised grants and contributions					
b/f	0.000	215.757	351.507	567.264	2E.34
Capitalised in year	0.000	11.404	13.775	25.179	2E.35
Amortisation (in income statement)	0.000	-3.279	-2.577	-5.856	2E.36
c/f	0.000	223.882	362.705	586.587	2E.37

Accounts: Table 2F: Residential retail to Table 2H: Non-household wastewater - revenues by tariff type

Table 2F: Residential retail for the 12 months ended 31 March 2025

This table shows an analysis of household retail revenues and customer numbers by customer type.

There's no additional narrative for this table.

Line description	Revenue £m	Number of customers 000s	Average residential revenues £	RAG4 Ref
Residential revenue				
Wholesale revenue	1,997.929			2F.1
Retail revenue	129.067			2F.2
Total residential revenue	2,126.996			2F.3
Retail revenue				
Revenue Recovered ('RR')	129.067			2F.4
Revenue sacrifice	0.000			2F.5
Actual revenue (net)	129.067			2F.6
Customer information				
Actual customers ('AC')		5,815.218		2F.7
Reforecast customers		5,807.947		2F.8
Adjustment				
Allowed revenue ('R)	145.153			2F.9
Net adjustment	16.086			2F.10
Other residential information				
Average household retail revenue per customer			22.195	2F.11

Table 2G: Non-household water - revenues by tariff type

This table is only applicable for Welsh companies and therefore has not been included within this report.

Table 2H: Non-household wastewater - revenues by tariff type

This table is only applicable for Welsh companies and therefore has not been included within this report.

Accounts: Table 2I: Revenue analysis for the 12 months ended 31 March 2025

This table shows an analysis of revenue across our price control units split by revenue streams.

There's no additional narrative for this table.

Line description Units: £m	Household	Non-household	Total	Water resources	Water network+	Total	RAG4 Ref
Wholesale charge – water							
Unmeasured	413.932	12.302	426.234	44.668	381.567	426.235	2I.1
Measured	521.190	241.854	763.044	79.965	683.080	763.045	2I.2
Third party revenue	0.000	0.793	0.793	0.083	0.710	0.793	2I.3
Total wholesale water revenue	935.122	254.949	1,190.071	124.716	1,065.357	1,190.073	2I.4
Wholesale charge – wastewater							
Unmeasured - foul charges	290.656	7.677	298.333	246.818	51.515	298.333	2I.5
Unmeasured - surface water charges	58.843	1.456	60.299	49.887	10.412	60.299	2I.6
Unmeasured - highway drainage charges	37.416	0.845	38.261	31.655	6.607	38.262	2I.7
Measured - foul charges	451.530	172.551	624.081	516.317	107.764	624.081	2I.8
Measured - surface water charges	111.238	17.829	129.067	106.781	22.287	129.068	2I.9
Measured - highway drainage charges	70.438	10.425	80.863	66.899	13.963	80.862	2I.10
Third party revenue	0.000	1.928	1.928	1.595	0.333	1.928	2I.11
Total wholesale wastewater revenue	1,020.121	212.711	1,232.832	1,019.952	212.881	1,232.833	2I.12
Wholesale charge – TTT							
Unmeasured	16.190	0.418	16.608				2I.13
Measured	26.496	8.411	34.907				2I.14
Total wholesale TTT revenue	42.686	8.829	51.515				2I.15
Wholesale Total	1,997.929	476.489	2,474.418				2I.16

Accounts: Table 2I: Revenue analysis for the 12 months ended 31 March 2025

This table shows an analysis of revenue across our price control units split by revenue streams.

There's no additional narrative for this table.

Line description Units: £m	Household	Non-household	Total	Water resources	Water network+	Total	RAG4 Ref
Retail revenue							
Unmeasured	22.625	0.000	22.625				2I.17
Measured	106.442	0.000	106.442				2I.18
Retail third party revenue	0.000	0.000	0.000				2I.19
Total retail revenue	129.067	0.000	129.067				2I.20
Third party revenue - non-price control							
Bulk supplies water			8.946				2I.21
Bulk supplies wastewater			3.947				2I.22
Other third-party revenue - non price control			4.652				2I.23
Principal services - non-price control							
Other appointed revenue			0.051				2I.24
Total appointed revenue			2,621.081				2I.25

Accounts: Table 2J: Infrastructure network reinforcement costs for the 12 months ended 31 March 2025

This table presents the infrastructure reinforcement costs, as included in totex in Tables 4D and 4E, by type of system or facility.

Line description Units: £m	Network reinforcement capex	On site / site specific capex	RAG4 Ref
Wholesale water network+ (treated water distribution)			
Distribution and trunk mains	29.030	0.000	2J.1
Pumping and storage facilities	1.361	0.000	2J.2
Other	0.000	0.000	2J.3
Total	30.391	0.000	2J.4
Wholesale wastewater network+ (sewage collection)			
Foul and combined systems	4.600	0.000	2J.5
Surface water only systems	0.332	0.000	2J.6
Pumping and storage facilities	4.790	0.000	2J.7
Other	0.000	0.000	2J.8
Total	9.722	0.000	2J.9

Additional notes on infrastructure network reinforcement costs

We've also included opex attributable to network reinforcement in line with advice received from Ofwat. This totals £2.305 million for the five years to 2024/25. The overall variance to 4N and 4O capex is £2.656 million.

This adjustment is in line with RAG 3.15, as differences between infrastructure network reinforcement charges are required to be calculated across a rolling five-year period.

Accounts: Table 2K: Infrastructure charges reconciliation and Table 2L: Analysis of land sales

Table 2K: Infrastructure charges reconciliation for the 12 months ended 31 March 2025

This table compares the revenue and costs of infrastructure charges for new connections.

Line description Units: £m	Water	Wastewater	Total	RAG4 Ref
Impact of infrastructure charge discounts				
Infrastructure charges	16.539	14.171	30.710	2K.1
Discounts applied to infrastructure charges	0.000	0.000	0.000	2K.2
Gross Infrastructure charges	16.539	14.171	30.710	2K.3
Comparison of revenue and costs				
Variance brought forward	-6.678	27.598	20.920	2K.4
Revenue	16.539	14.171	30.710	2K.5
Costs	-30.391	-9.722	-40.113	2K.6
Variance carried forward	-20.530	32.047	11.517	2K.7

Additional narrative on the infrastructure charges reconciliation

There's contributions from other sources disclosed as infrastructure charges within the above table as these are considered to be their equivalent, although they are disclosed on separate lines within Table 2E. This includes the non-domestic network charges at a value of £0.330 million.

For 2024/25, we continued to offer an environmental discount scheme to incentivise more sustainable housing. However, we consider this scheme to be part of the balance of charges principle replacing our previous income offset mechanism. It is not considered when setting our infrastructure charges. As such, we have not deducted it from gross infrastructure charges in the table above. Instead, this has been presented within the Income Offset in Table 2E (lines 15 and 27).

Table 2L: Analysis of land sales for the 12 months ended 31 March 2025

This table shows information on income received through the sale of land.

Line description Units: £m	Water resources	Water Network+	Wastewater Network+	TTT	Total	RAG4 Ref
Land sales – proceeds from disposals of protected land	0.000	0.000	6.183	14.715	20.898	2L.1

Additional narrative on land sales

There were sales of 2 parcels of protected land during the year which were above the threshold of £1.0 million for reporting such disposals. These qualifying disposals were reported to Ofwat in line with RAG 3.15.

Accounts: Table 2M: Revenue reconciliation for the 12 months ended 31 March 2025 - wholesale

This table shows the retail price control difference between the actual revenue recovered and the revenue assumed at the final determination.

Additional narrative on the revenue reconciliation

Wholesale revenue for 2024/25 of £2,536.6 million is £83.1 million (3.4%) higher than the amount allowed in Ofwat's in-period outcome delivery incentives final determinations.

Wholesale water revenue is £57.2 million (4.9%) and wholesale wastewater revenue (including the Company's delivered element of the Thames Tideway Tunnel) is £25.9 million (2.0%) higher than the allowance.

The causes of the higher revenue in both cases are:

- Higher core tariff revenue from household customers, as a result of a larger chargeable customer base and metered consumption being higher than originally anticipated;
- Higher core tariff revenue from non-household customers, as a result of a larger chargeable customer base than originally anticipated; and
- Higher than forecast capital contributions from Section 185 diversion revenue due to one particularly large and complex scheme.

The over-recovered revenue in 2024/25 attributable to variances in our customer base between outturn and the forecasts used when tariffs were set will be returned to customers during AMP8 under Ofwat's Revenue Forecasting Incentive ('RFI') mechanism.

Line description Units: £m	Water resources	Water network+	Waste-water network+	Bio-resources	TTT	Total	RAG4 Ref
Revenue recognised							
Wholesale revenue governed by price control	124.716	1,065.357	1,019.952	212.881	51.515	2,474.421	2M.1
Grants & contributions (price control)	-4.722	45.373	21.554	0.000	0.000	62.205	2M.2
Total revenue governed by wholesale price control	119.994	1,110.730	1,041.506	212.881	51.515	2,536.626	2M.3
Calculation of the revenue cap							
Allowed wholesale revenue before adjustments (or modified by CMA)	116.279	962.536	964.721	208.405	49.149	2,301.090	2M.4
Allowed grants & contributions before adjustments (or modified by CMA)	0.000	45.946	20.692	0.000	0.000	66.638	2M.5
Revenue adjustment	2.387	32.539	26.071	1.231	1.557	63.785	2M.6
Other adjustments	-0.001	13.830	8.187	0.000	0.000	22.016	2M.7
Revenue cap	118.665	1,054.851	1,019.671	209.636	50.706	2,453.529	2M.8
Calculation of the revenue imbalance							
Revenue cap	118.665	1,054.851	1,019.671	209.636	50.706	2,453.529	2M.9
Revenue Recovered	119.994	1,110.730	1,041.506	212.881	51.515	2,536.626	2M.10
Revenue imbalance	-1.329	-55.879	-21.835	-3.245	-0.809	-83.097	2M.11

Accounts: Table 2N: Household affordability support

This table shows the tariffs we provide to improve affordability and accessibility for vulnerable customers.

Additional narrative on the use of social tariffs

We support our low-income households with the WaterHelp social tariff. If customers qualify, we offer a 50% discount on their whole bill. Further information is available on our website.

Note that the level of support and maximum contribution to social tariffs, as set out on line 23, takes into account additional customer engagement that was carried out in the autumn of 2022. The additional support obtained through this customer engagement features in our charges for 2023/24 and 2024/25.

Line description Units: £m	Revenue £m	Number of customers 000s	Average amount per customer £	RAG4 Ref
Section A - social tariffs				
Number of residential customers on social tariffs				
Residential water only social tariffs customers		0.536		2N.1
Residential wastewater only social tariffs customers		109.11		2N.2
Residential dual service social tariffs customers		273.961		2N.3
Number of residential customers not on social tariffs				
Residential water only no social tariffs customers		50.351		2N.4
Residential wastewater only no social tariffs customers		1,958.70		2N.5
Residential dual service no social tariffs customers		3,422.56		2N.6
Social tariff discount				
Average discount per water only social tariffs customer			447.845	2N.7
Average discount per wastewater only social tariffs customer			112.415	2N.8
Average discount per dual service social tariffs customer			342.788	2N.9
Social tariff cross-subsidy - residential customers				
Total customer funded cross-subsidies for water only social tariffs customers	0.240			2N.10
Total customer funded cross-subsidies for wastewater only social tariffs customers	12.266			2N.11
Total customer funded cross-subsidies for dual service social tariffs customers	93.911			2N.12
Average customer funded cross-subsidy per water only social tariffs customer			4.717	2N.13
Average customer funded cross-subsidy per wastewater only social tariffs customer			5.932	2N.14
Average customer funded cross-subsidy per dual service social tariffs customer			25.405	2N.15

Accounts: Table 2N: Household affordability support (continued)

Line description Units: £m	Revenue £m	Number of customers 000s	Average amount per customer £	RAG4 Ref
Section A - social tariffs				
Social tariff cross-subsidy - company				
Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers	0.000			2N.16
Total revenue forgone by company to fund cross-subsidies for wastewater only social tariffs customers	0.000			2N.17
Total revenue forgone by company to fund cross-subsidies for dual service social tariffs customers	0.000			2N.18
Average revenue forgone by company to fund cross-subsidy per water only social tariffs customer			0.000	2N.19
Average revenue forgone by company to fund cross-subsidy per wastewater only social tariffs customer			0.000	2N.20
Average revenue forgone by company to fund cross-subsidy per dual service social tariffs customer			0.000	2N.21
Social tariff support - willingness to pay				
Level of support for social tariff customers reflected in business plan			9.581	2N.22
Maximum contribution to social tariffs supported by customer engagement			25.413	2N.23
Section B - Water Sure tariffs				
WaterSure tariffs				
Number of unique customers on WaterSure		26.854		2N.24
Total reduction in bills for WaterSure customers	8.910			2N.25
Average reduction in bills for WaterSure customers			331.785	2N.26

Accounts: Table 2O: Historic cost analysis of intangible fixed assets

This table shows the value of fixed assets across our price control units.

Additional narrative on our intangible fixed assets

The net book value includes £29.970 million in respect of assets in the course of development.

Line description Units: £m	Residential Retail	Business retail	Water resources	Water Network+	Waste Network+	Bio-resources	TTT	Total	RAG4 Ref
Cost									
At 1 April 2024	188.291	0.000	2.313	64.432	322.623	5.183	0.000	582.842	2O.1
Disposals	-6.067	0.000	-0.002	-0.064	-2.748	-2.426	0.000	-11.307	2O.2
Additions	10.002	0.000	0.121	4.298	20.333	7.011	0.000	41.765	2O.3
Adjustments	0.000	0.000	-0.182	-0.460	6.850	-3.906	0.000	2.302	2O.4
Assets adopted at nil cost	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2O.5
At 31 March 2025	192.226	0.000	2.250	68.206	347.058	5.862	0.000	615.602	2O.6
Amortisation									
At 1 April 2024	-87.719	0.000	-2.142	-44.249	-213.613	-7.473	0.000	-355.196	2O.7
Disposals	6.067	0.000	0.003	0.066	2.743	2.429	0.000	11.308	2O.8
Adjustments	0.000	0.000	0.073	0.780	0.201	-1.109	0.000	-0.055	2O.9
Charge for year	-22.897	0.000	-0.080	-7.627	-38.434	-0.126	0.000	-69.164	2O.10
At 31 March 2025	-104.549	0.000	-2.146	-51.030	-249.103	-6.279	0.000	-413.107	2O.11
Net book amount at 31 March 2025	87.677	0.000	0.104	17.176	97.955	-0.417	0.000	202.495	2O.12
Net book amount at 1 April 2024	100.572	0.000	0.171	20.183	109.010	-2.290	0.000	227.646	2O.13
Amortisation for year									
Principal services	-22.897	0.000	-0.080	-7.627	-38.434	-0.126	0.000	-69.164	2O.14
Third party services	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2O.15
Total	-22.897	0.000	-0.080	-7.627	-38.434	-0.126	0.000	-69.164	2O.16

Independent auditors' report to the Water Services Regulation Authority (the WSRA) and the Directors of Thames Water Utilities Limited

Opinion

We have audited the tables within Thames Water Utilities Limited's Annual Performance Report for the year ended 31 March 2025 ("the Regulatory Accounting Statements") which comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cashflows (table 1D), the net debt analysis (appointed activities) (table 1E), the financial flows and for the price review to date (table 1F) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis - wholesale (table 2B), the cost analysis - retail (table 2C), the historic cost analysis of tangible fixed assets (table 2D), the analysis of 'grants and contributions' - water resources, water network plus and wastewater network plus (table 2E), residential retail (table 2F), the revenue analysis (table 2I), the infrastructure network reinforcement costs (table 2J), the infrastructure charges reconciliation (table 2K), the analysis of land sales (table 2L), the revenue reconciliation - wholesale (table 2M), the household affordability support (table 2N) and historic cost analysis of intangible fixed assets (table 2O) and the related notes.

We have not audited the Outcome performance tables (3A to 3I) and the additional regulatory information in tables 4A to 4Z, 5A to 5B, 6A to 6F, 7A to 7F, 8A to 8D, 9A, 10 A to 10H and 11A.

In our opinion, Thames Water Utilities Limited's Regulatory Accounting Statements have been prepared, in all material respects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.09, RAG 2.08, RAG 2.09, RAG 3.15, RAG 4.13 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.15, appendix 2), set out on page 75.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law, except as stated in the section on Auditors' responsibilities for the audit of the Regulatory Accounting Statements below, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF (Revised) 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England & Wales.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit, including the Financial Reporting Council's (FRC's) Ethical Standard as applied to listed/public interest entities, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditors' report to the Water Services Regulation Authority (the WSRA) and the Directors of Thames Water Utilities Limited (continued)

Emphasis of matter – special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.15, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. As a result, the Regulatory Accounting Statements may not be suitable for another purpose. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly, we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of United Kingdom adopted international accounting standards ("UK IASs"). Financial information other than that prepared on the basis of UK IASs does not necessarily represent a true and fair view of the financial performance or financial position of a Company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 59 to 104 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK IASs. A summary of the effect of these departures in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

Emphasis of matter – Material Uncertainty on Going Concern

In forming our opinion on the Regulatory Accounting Statements, which is not modified, we have considered the adequacy of the disclosure made in the accounting policies within the Regulatory Accounting Statements concerning the company's ability to continue as a going concern.

The principal matter giving rise to the material uncertainty is whether the company will be able to deliver a recapitalisation transaction by way of a restructuring plan under Part 26A of the Companies Act 2006 ("RP2") successfully, either within 12 months from the date of approval of the Regulatory Accounting Statements or at all.

If a recapitalisation transaction by way of RP2 is not delivered, the company would need to consider all options available to it at the time, but a possible consequence would be a special administration of the company under the Water Industry Act 1991. The success of a recapitalisation transaction pursuant to RP2 is subject to uncertainties which are outside of the company's control and which could occur in the very near term.

These conditions, along with the other matters explained in the accounting policies within the Regulatory Accounting Statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The Regulatory Accounting Statements do not include the adjustments that would result if the company was unable to continue as a going concern.

In auditing the Regulatory Accounting Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Regulatory Accounting Statements is appropriate.

Independent auditors’ report to the Water Services Regulation Authority (the WSRA) and the Directors of Thames Water Utilities Limited (continued)

Our evaluation of the directors’ assessment of the company’s ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding and evaluating the design and implementation of relevant controls related to the directors’ assessment of going concern;
- Understanding and assessing the factors giving rise to the material uncertainty including assessing the actions available to the directors’ on which they have based their assertion that they have a reasonable expectation that the company has adequate resources to continue for a period of 12 months from the date of approval of the Regulatory Accounting Statements;
- Testing the mathematical integrity of the cash flow forecasts and the models supporting these forecasts and reconciling them to Board approved budgets and forecasts;
- Performing a comparison of budget versus actual results for the year ended 31 March 2025 and understanding where variances had arisen. Through this testing we informed our assessment regarding management’s ability to forecast accurately;
- Evaluating the key assumptions management has applied in developing their base case. We challenged various aspects of management’s base case including consideration of potential downside risks;
- Obtaining and understanding the terms of the Whole Business Securitisation and the company’s financing documentation, including the super senior financing documentation and the financial covenants that the company is subject to;
- Performing inquiries with key stakeholders (from both within and outside of the company) and reviewing correspondence with creditor representatives, regulators and advice from the company’s external legal counsel to corroborate management’s position and assess whether there is any contradictory or additional evidence requiring disclosure within the basis of preparation;
- Engaging the use of experts including business restructuring experts to support us in understanding aspects of management’s assessment and informing our challenges to management; and
- Assessing the appropriateness of the disclosures within the Regulatory Accounting Statements as disclosed in the accounting policies, relating to the material uncertainty on going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Accounts: Our independent auditors' report (continued)

Independent auditors' report to the Water Services Regulation Authority (the WSRA) and the Directors of Thames Water Utilities Limited (continued)

Other information

The other information comprises all of the information in the Annual Performance Report other than the Regulatory Accounting Statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the Regulatory Accounting Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

Responsibilities of the Directors for the Annual Performance Report

As explained more fully in the Statement of Directors' Responsibilities set out on page 154, the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.15, appendix 2).

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Annual Performance Report that is free from material misstatement, whether due to fraud or error.

In preparing the Annual Performance Report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the Audit of the Regulatory Accounting Statements within the Annual Performance Report

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Regulatory Accounting Statements.

Accounts: Our independent auditors' report (continued)

Independent auditors' report to the Water Services Regulation Authority (the WSRA) and the Directors of Thames Water Utilities Limited (continued)

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the Regulatory Accounting Statements. These included Regulatory Accounting Guidelines as issued by the WRSA, UK corporation tax legislation and the Companies Act 2006 ; and
- do not have a direct effect on the Regulatory Accounting Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating licence conditions, Listing rules, Pension legislation, regulatory solvency requirements and environmental regulations.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- Discussions and enquiries of management, the internal audit function and external and internal legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions made by management in determining significant accounting estimates and judgments, including challenging management in relation to how they have considered climate risk in such critical estimates. We have tested significant accounting estimates and judgements to supporting documentation, considering alternative or contradictory information where available along with considering the appropriateness of the related disclosures in the Regulatory Accounting Statements;
- Identifying and testing a sample of journal entries throughout the whole year, which met our predetermined fraud risk criteria;
- Reviewing minutes of meetings of those charged with governance and reviewing internal audit reports; and
- Performing unpredictable procedures including but not limited to; sampling non-standard payments, checking supplier bank details, and inspection of journal entries from unexpected users or unusual words.

Independent auditors' report to the Water Services Regulation Authority (the WSRA) and the Directors of Thames Water Utilities Limited (continued)

A further description of our responsibilities for the audit of the Regulatory Accounting Statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WSRA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2025 on which we reported on 15 July 2025, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Reading

15 July 2025

Our 2024/25 performance summary (Tables 3A - 3I)

Accounts: Table 3A: Outcome performance – Water performance commitments (Financial)

This table shows all of our water-related performance commitments with outcome delivery incentives ('ODIs').

Additional narrative on our performance commitments

Specific narrative is provided for each individual performance commitment in the dedicated Performance section of this document.

PricewaterhouseCoopers LLP ('PwC') conducted an independent limited assurance engagement on selected Subject Matter Information (shown with the Ⓐ symbol alongside the relevant PCs in Tables 3A and 3B) for the year ended 31 March 2025 in accordance with International Standard on Assurance Engagements 3000 (revised).

PwC's assurance opinion can be seen in Our Regulatory Statements.

Our Reporting Criteria for the performance commitments can be found online.

Leakage performance reporting

In 2023/24, we made improvements to our leakage reporting methodology to increase our compliance with Ofwat Common Guidance and for consistency of reporting over time, we applied these improvements to our previously reported performance meaning that the baseline has been reset and restated our annual leakage for the earlier years of AMP7.

We reset the 2019/20 baseline from 674.4 ML/d at 2022/23 to 672.9 ML/d at 2023/24. As a result, our leakage ODI penalty for the first three years of AMP7 is £1.7 million less than previously reported (2022/23: £1.0 million, 2021/22: £0.4 million, 2020/21: £0.3 million). We've claimed this overpayment of penalty back through our ODI in-period adjustment model so the Total 2020-25 includes this adjustment.

Line description	Ref	Unit	Performance level actual	PCL met?	Out/ under performance payment £m	Total 2020-25 out/ under performance payment £m	RAG4 Ref
Water quality compliance	BW06a	nr	2.04	No	-0.086	-18.289	3A.1
Water supply interruptions	BW03	hh:mm:ss	Ⓐ 00:09:35	No	-6.476	-59.912	3A.2
Leakage	BW04	%	Ⓐ 13.2	No	-19.178	-37.758	3A.3
Per capita consumption	BW05	%	Ⓐ 4.8	No	-1.462	-1.462	3A.4
Mains repairs	BW01	nr	Ⓐ 146.4	Yes	11.469	14.300	3A.5
Unplanned outage	BW02	%	1.80	Yes	0.000	0.000	3A.6
Properties at risk of receiving low pressure	BW07	nr	11	Yes	0.000	0.000	3A.7
Acceptability of water to consumers	BW08	nr	0.65	No	-0.099	-0.099	3A.8
Water quality events	BW09	nr	9	No	-0.036	-0.249	3A.9
Reducing risk of lead	BW10	nr	54,097	Yes	0.026	1.999	3A.10
Security of supply index	DW02	score	98	No	-0.448	0.896	3A.11
Power resilience	DWS01	nr	5	No	-9.958	-9.958	3A.12
SEMD - Securing our sites (2020-25 projects)	DWS02	%	100.0	Yes	0.000	0.000	3A.13
SEMD - Securing our sites (legacy projects)	DWS03	%	100.0	Yes	0.000	0.000	3A.14
Unregistered Household Properties	ER01	text	Complete	Yes	0.000	0.633	3A.15
Empty household properties	ER02	%	2.97	Yes	0.231	1.002	3A.16
Abstraction Incentive Mechanism (AIM)	EW01	nr	-37.1	Yes	0.000	0.001	3A.17
Empty business properties	EWS08	nr	4,464	Yes	0.509	2.107	3A.18
Installing new smart meters in London	M01	nr	379,029	No	-0.767	-0.767	3A.19
Replacing existing meters with smart meters	M02	nr	141,614	Yes	0.000	0.000	3A.20
Trunk mains renewal (conditional allowance)	LWI01	km	9.8	No	-1.102	-1.102	3A.21
Financial water performance commitments achieved				52			3A.27
Overall performance commitments achieved (excluding C-MEX and D-MEX)				53			3A.28

Accounts: Table 3B: Outcome performance – Wastewater performance commitments (Financial)

This table shows all of our wastewater-related performance commitments with ODIs.

Additional narrative on our performance commitments

Specific narrative is provided for each individual performance commitment in the dedicated section of this document.

Line description	Ref	Unit	Performance level actual	PCL met?	Out/ under performance payment £m	Total 2020-25 out/ under performance payment £m	RAG4 Ref
Internal sewer flooding	CS03	nr	A 1.83	No	-8.213	-60.511	3B.1
Pollution incidents	ES01	nr	43.13	No	-21.886	-47.728	3B.2
Sewer collapses	CS02	nr	2.38	Yes	1.223	2.786	3B.3
Treatment works compliance	CS01	%	98.69	No	-0.950	-1.072	3B.4
Clearance of blockages	CS04	nr	65,472	No	-4.170	-26.985	3B.5
Sewage pumping station availability	CS05	%	98.3	No	-0.200	-0.200	3B.6
Surface water management	DS02	nr	33.89	No	-1.742	-1.742	3B.7
Environmental measures delivered	ES02	nr	674	No	-4.258	-5.223	3B.8
Sludge treated before disposal	ES03	%	97.0	No	-0.826	-1.280	3B.9
Readiness to receive tunnel flow at Beckton STW	ET01	Nr	0	Yes	0.000	0.000	3B.10
Critical asset readiness for the London Tideway Tunnels	ET04	text	0	Yes	0.000	0.000	3B.11
Enhancing biodiversity	EWS01	Nr	331	No	-0.057	-0.057	3B.12
Smarter Water Catchment Initiatives	EWS02	Nr	2	No	-0.811	-1.622	3B.13
Renewable energy produced	EWS03	GWh	524	Yes	0.564	3.546	3B.14
Managing early handback of Tideway project land	ET07	mths	27	Yes	0.540	0.540	3B.15
Financial wastewater performance commitments achieved				33			3B.19

Accounts: Table 3C and 3D: Measures of experience

Table 3C: Customer measure of experience ('C-MeX') table

This table shows our performance against measures of customer satisfaction. Our performance is then benchmarked against the wider water industry to calculate our ODI as a percentage of our revenue.

In AMP8, we'll be benchmarked against other customer-facing industries as well.

We'll also have a new measure of experience for business customers in AMP8.

Item	Unit	Performance level actual	RAG4 Ref
Annual customer satisfaction score for the customer service survey	Number	57.98	3C.1
Annual customer satisfaction score for the customer experience survey	Number	64.90	3C.2
Annual C-MeX score	Number	61.44	3C.3
Annual net promoter score	Number	-31.50	3C.4
Total household complaints	Number	69209	3C.5
Total connected household properties	Number	6,006,111	3C.6
Total household complaints per 10,000 connections	Number	115.231	3C.7
Confirmation of communication channels offered	TRUE or FALSE	TRUE	3C.8

Table 3D: Developer services measure of experience ('D-MeX') table

This table shows our performance against measures of developer satisfaction. Our performance is then benchmarked against the wider water industry to calculate our ODI as a percentage of our revenue.

Item	Unit	Performance level actual	RAG4 Ref
Qualitative component annual results	Number	65.22	3D.1
Quantitative component annual results	Number	94.54	3D.2
D-MeX score	Number	79.88	3D.3
Developer services revenue (water)	£m	45.786	3D.4
Developer services revenue (wastewater)	£m	21.950	3D.5

Accounts: Table 3D: Developer services measure of experience ('D-MeX') table (sub-components)

This table shows our performance against the D-MeX sub-components in scope for our company below our overall quantitative score.

These are independently set and measured by Water UK.

Water UK performance metric	Unit	"Reporting period (1 April to 31 March)"	Quantitative score (annual)	RAG4 Ref
W1.1	%	100.00%		3D.W1
W3.1	%	99.06%		3D.W2
W4.1	%	89.03%		3D.W3
W6.1	%	99.26%		3D.W4
W7.1	%	100.00%		3D.W5
W8.1	%	60.00%		3D.W6
W17.1	%	100.00%		3D.W7
W17.2	%	100.00%		3D.W8
W18.1	%	85.29%		3D.W9
W20.1	%			3D.W10
W21.1	%			3D.W11
W23.1	%			3D.W12
W24.1	%			3D.W13
W26.1	%			3D.W14
W27.1	%			3D.W15
W30.1	%	96.94%		3D.W16
S1.1	%	96.26%		3D.W17
S3.1	%	100.00%		3D.W18
S4.1	%			3D.W19
S7.1	%			3D.W20

Water UK performance metric	Unit	"Reporting period (1 April to 31 March)"	Quantitative score (annual)	RAG4 Ref
SN2.2	%	99.51%		3D.W21
SN4.1	%			3D.W22
WN1.1	%	100.00%		3D.W23
WN2.2	%	97.30%		3D.W24
WN4.1	%	57.14%		3D.W25
WN4.2	%	100.00%		3D.W26
WN4.3	%	100.00%		3D.W27
SAM 3/1	%	100.00%		3D.W28
SAM 4/1	%	89.83%		3D.W29
SLPM – S1/2	%	100.00%		3D.W30
SLPM - S2/2a	%	100.00%		3D.W31
SLPM - S2/2b	%	100.00%		3D.W32
SLPM – S3	%	97.09%		3D.W33
SLPM – S4/1	%	92.59%		3D.W34
SLPM – S5/1a	%			3D.W35
SLPM – S7/1	%	98.93%		3D.W36
Quantitative score (for the reporting period)	%	94.55%		3D.7
Quantitative score (annual)	Number		0.95	3D.8

Accounts: Table 3E: Outcome performance – non-financial performance commitments

This table shows our reputational performance commitments across water, wastewater and retail.

Line description	Ref	Unit	Performance level actual	PCL met?	RAG 4 Ref
Risk of severe restrictions in a drought	DW01	%	93.7	No	3E.1
Priority services for customers in vulnerable circumstances - PSR reach	AR06	%	10.4	Yes	3E.2
Priority services for customers in vulnerable circumstances - Attempted contacts	AR06	%	94.6	Yes	3E.3
Priority services for customers in vulnerable circumstances - Actual contacts	AR06	%	52.5	Yes	3E.4
Risk of sewer flooding in a storm	DS01	%	10.23	No	3E.5
Percentage of satisfied vulnerable customers	AR05	%	84	No	3E.6
Proactive customer engagement	AWS02	nr	211,640	No	3E.7
Responding to major trunk mains bursts	BW11	hh:mm:ss	0	No	3E.8
Households on the Thames Water social tariff	ER03	nr	408,670	Yes	3E.9
Effective stakeholder engagement	ET02	score	5.3	Yes	3E.10
Establish an effective system operator for the London Tideway Tunnels	ET05	%	100	Yes	3E.11
Maximising the value of Tideway project land sales	ET06	£m	2.7	Yes	3E.12
Natural Capital Accounting	EWS04	%	100.0	Yes	3E.13
BSI for fair, flexible inclusive services	AR07	text	Maintained	Yes	3E.14
WINEP Delivery	NEP01	text	No	No	3E.15
Delivery of DWMPs	DWMP	%	100	Yes	3E.16
Understanding the risk of flooding in the Counters Creek catchment	CC	text	Met	Yes	3E.17
Future London strategy (London network conditional allowance)	LWI02	text	Complete	Yes	3E.18
Data validation (London network conditional allowance)	LWI03	text	Complete	Yes	3E.19
Non-Financial PCs achieved		%		68	3E.29

Accounts: Table 3F: Underlying calculations for common performance commitments – water and retail

This table shows the underlying calculations for our more complex performance commitments, such as those that average multiple years of actuals or those required to show additional sets of information.

Performance commitments set in standardised units – Water						
Line description	Unit	Standardising data indicator	Standardising data numerical value	Performance level Actual	Performance level - Calculated (i.e. standardised)	RAG4 Ref
Mains repairs - Reactive	Mains repairs per 1000 km	Mains length in km	32,035.13	3,309.0	103.29	3F.1
Mains repairs - Proactive	Mains repairs per 1000 km	Mains length in km	32,035.13	1,381.0	43.11	3F.2
Mains repairs	Mains repairs per 1000 km	Mains length in km	32,035.13	4,690.0	146.40	3F.3
Per capita consumption (PCC)	lpd	Total household population (000s) and household consumption (ML/d)	10,543.00	1,453	137.80	3F.4

Performance commitments measured against a calculated baseline							
Line description	Unit	Actual (2017-18)	Actual (2018-19)	Actual (2019-20)	Baseline (average from 2017-18 to 2019-20)	Actual (2020-21)	Actual (2021-22)
Leakage	ML/d	698.3	692.8	627.6	672.9	589.6	591.8
Per capita consumption (PCC)	lpd	145.2	146.4	144.1	145.2	152.2	143.9

Performance commitments measured against a calculated baseline							
Line description	Unit	Actual (2022-23)	Actual (2023-24)	Actual (2024-25)	Performance level 3 year average (current and previous 2 years)	Calculated performance level to compare against PCLs	RAG4 Ref
Leakage	ML/d	613.5	570.4	569.1	584.3	13.2	3F.5
Per capita consumption (PCC)	lpd	138.7	138.2	137.8	138.2	4.8	3F.6

Accounts: Table 3F: Underlying calculations for common performance commitments (continued)

This table shows the underlying calculations for our more complex performance commitments, such as those that average multiple years of actuals or those required to show additional sets of information.

Water supply interruptions							
Line description	Unit	Standardising data indicator	Standardising data numerical value	Total minutes lost	Number of properties supply interrupted	Calculated performance level	RAG4 ref
"Water supply interruptions ≥ 3 hours"	Average number of minutes lost per property per year	Number of properties (thousands)	4,082.42	39,094,977	76,485	00:09:35	3F.7
"Water supply interruptions ≥ 6 hours"	Average number of minutes lost per property per year	Number of properties (thousands)	4,082.42	33,530,601	48,453	00:08:13	3F.7a
"Water supply interruptions ≥ 12 hours"	Average number of minutes lost per property per year	Number of properties (thousands)	4,082.42	20,593,454	21,858	00:05:03	3F.7b
"Water supply interruptions ≥ 24 hours"	Average number of minutes lost per property per year	Number of properties (thousands)	4,082.42	4,050,806	1,962	00:01:00	3F.7c

Unplanned or planned outage				
Line description	Current company level peak week production capacity (PWPC) ML/d	Reduction in company level PWPC ML/d	Outage proportion of PWPC %	RAG4 ref
Unplanned outage	3,242.20	58.46	1.80%	3F.8

Priority services for customers in vulnerable circumstances									
Line description	Total residential properties (000s)	Total number of households on the PSR (as at 31 March)	PSR reach	Total number of households on the PSR over a 2 year period	Number of attempted contacts over a 2 year period	Attempted contacts %	Number of actual contacts over a 2 year period	Actual contacts %	RAG4 ref
Priority services for customers in vulnerable circumstances	5,838	606,751	10.4%	254,498	240,674	94.6%	133,512	52.5%	3F.9

Accounts: Table 3G: Underlying calculations for common performance commitments – wastewater

This table also shows the underlying calculations for our more complex performance commitments, such as those that are normalised by sewer length or the number of connections in order to be more easily comparable with other water companies.

Performance commitments set in standardised units							
Line description	Unique reference	Unit	Standardising data indicator	Standardising data numerical value	Performance level - actual current reporting year	Calculated performance level	RAG4 Ref
Internal sewer flooding - customer proactively reported	CS03	Per 10,000 sewer connections	Number of sewer connections	6,215.91	1,029	1.66	3G.1
Internal sewer flooding - company reactively identified (i.e. neighbouring properties)	CS03	Per 10,000 sewer connections	Number of sewer connections	6,215.91	108	0.17	3G.2
Internal sewer flooding	CS03	Per 10,000 sewer connections	Number of sewer connections	6,215.91	1,137	1.83	3G.3
Pollution incidents	ES01	Per 10,000km of sewer length	Sewer length in km	108,980.00	470	43.13	3G.4
Sewer collapses	CS02	Per 1,000km of all sewers	Sewer length in km	109,425.00	260	2.38	3G.5

Accounts: Table 3H: Summary information on outcome delivery incentives

This table also shows the underlying calculations for our more complex performance commitments, such as those that are normalised by sewer length or the number of connections in order to be more easily comparable with other water companies.

Line description Units: £m (2017-18 prices)	Initial calculation of performance payments (excluding CMEX and DMEX)	RAG4 Ref
Initial calculation of in period revenue adjustment by price control		
Water resources	-0.756	3H.1
Water network plus	-15.475	3H.2
Wastewater network plus	-38.396	3H.3
Bioresources (sludge)	-0.318	3H.4
Residential retail	0.231	3H.5
Business retail	0.000	3H.6
Dummy control	0.000	3H.7
Initial calculation of end of period revenue adjustment by price control		
Water resources	-0.005	3H.8
Water network plus	-8.917	3H.9
Wastewater network plus	-5.062	3H.10
Bioresources (sludge)	-0.002	3H.11
Residential retail	0.000	3H.12
Business retail	0.000	3H.13
Dummy control	0.660	3H.14
Initial calculation of end of period RCV adjustment by price control		
Water resources	0.000	3H.15
Water network plus	0.000	3H.16
Wastewater network plus	0.000	3H.17
Bioresources (sludge)	0.000	3H.18
Residential retail	0.000	3H.19
Business retail	0.000	3H.20
Dummy control	0.000	3H.21

Accounts: Table 3I: Supplementary outcomes information

This table shows additional information in relation to our performance commitments to provide a broader insight into our performance.

Unplanned or planned outage				
Line description	Current company level peak week production capacity (PWPC) ML/d	Reduction in company level PWPC ML/d	Outage proportion of PWPC %	RAG4 ref
Planned outage	3,242.20	162.65	5.02%	3I.1

Risk of severe restrictions in drought							
Line description	Deployable output	Outage allowance	Dry year demand	Target headroom	Total population supplied	Customers at risk	RAG4 ref
Risk of severe restrictions in drought	2,854.97	76.26	2,666.84	118.47	10,646.48	9,970.49	3I.2

Risk of sewer flooding in a storm					
Line description	Total PE served	Total PE in excluded catchments	Percentage of total PE in excluded catchments	Total PE Option 1a	Percentage of total PE Option 1a
Risk of sewer flooding in a storm	15,018,284	24,303	0.16%	936,720	6.24%

Risk of sewer flooding in a storm						
Line description	Total PE Option 1b	Percentage of total PE Option 1b	Vulnerability risk grade			RAG4 ref
			Low	Medium	High	
			Percentage of total population served			
Risk of sewer flooding in a storm	600,411	4.00%	89.77%	0.00%	10.23%	3I.3

Sewer collapses		
Line description	Number of patch repairs or relining undertaken on sewer and not included in reported sewer collapses.	RAG4 ref
Sewer collapses	2,212	3I.4

Additional information to support our regulatory accounts

Additional Information: Tables 4A and 4B

Table 4A: Water bulk supply information for the 12 months ended 31 March 2025

This table shows the value and volume of water bulk supply imported and exported.

There is no additional commentary.

Table 4B: Analysis of debt

This table shows an analysis of our debt.

Additional notes on our assumptions

Where commitment fees or margin are based on a credit rating grid, information included in the table reflects the percentage which is currently applicable as at 31 March 2025.

2058 and 2060 maturity swaps each constitute three restructured transactions; the table shows the combined position.

Foreign currency debt is shown after incorporating the impact of cross currency swap, hence such swaps are not included in above table. These swaps would fall under Swap category D, aside from one Yen swap which is Category B due to a break clause. Cross currency swaps are Super Senior.

Where margin is variable, a weighted average is shown.

The fair value of all receive legs and pay legs of the relevant swap should be added together to calculate the total fair value of the swap.

Issuance cost include the Total Issuance Cost at Inception when the debt was issued.

Bank overdraft as at 31 March 2025 reflects the impact of committed external payments where cash settlement occurred on 1st April 2025.

On column 1 "Instrument", debt instruments that are partially swapped include suffix "(S)" for the split which has been swapped and suffix "(NS)" for the split which has not been swapped and both parts have been reported separately. ¥20bn 3.28% bond due August 2038 (NS), although marked as (NS) is shown after incorporating the impact of cross currency swap i.e. same as all foreign currency debt.

On 25 February 2025, all debts had their maturity dates extended by two years, and all RCF facilities were cancelled or converted to term loans. However, the maturity dates will revert back to original maturities if the Group meets investment grade with two rating agencies, amongst other requirements. There is significant judgement on when the Group will meet investment grade and therefore the maturity dates in the table above reflect the original maturity date, except for "$285m 3.57% loan due March 2027" which had original maturity of March 2025 and is shown with two-year extension. The two-year extension applies to amortisations as well. The two-year extension doesn't apply to leases and consent fee debt. Revolving Credit Facilities are shown as extended but may flip back. The average maturity calculation is distorted due to information on this paragraph.

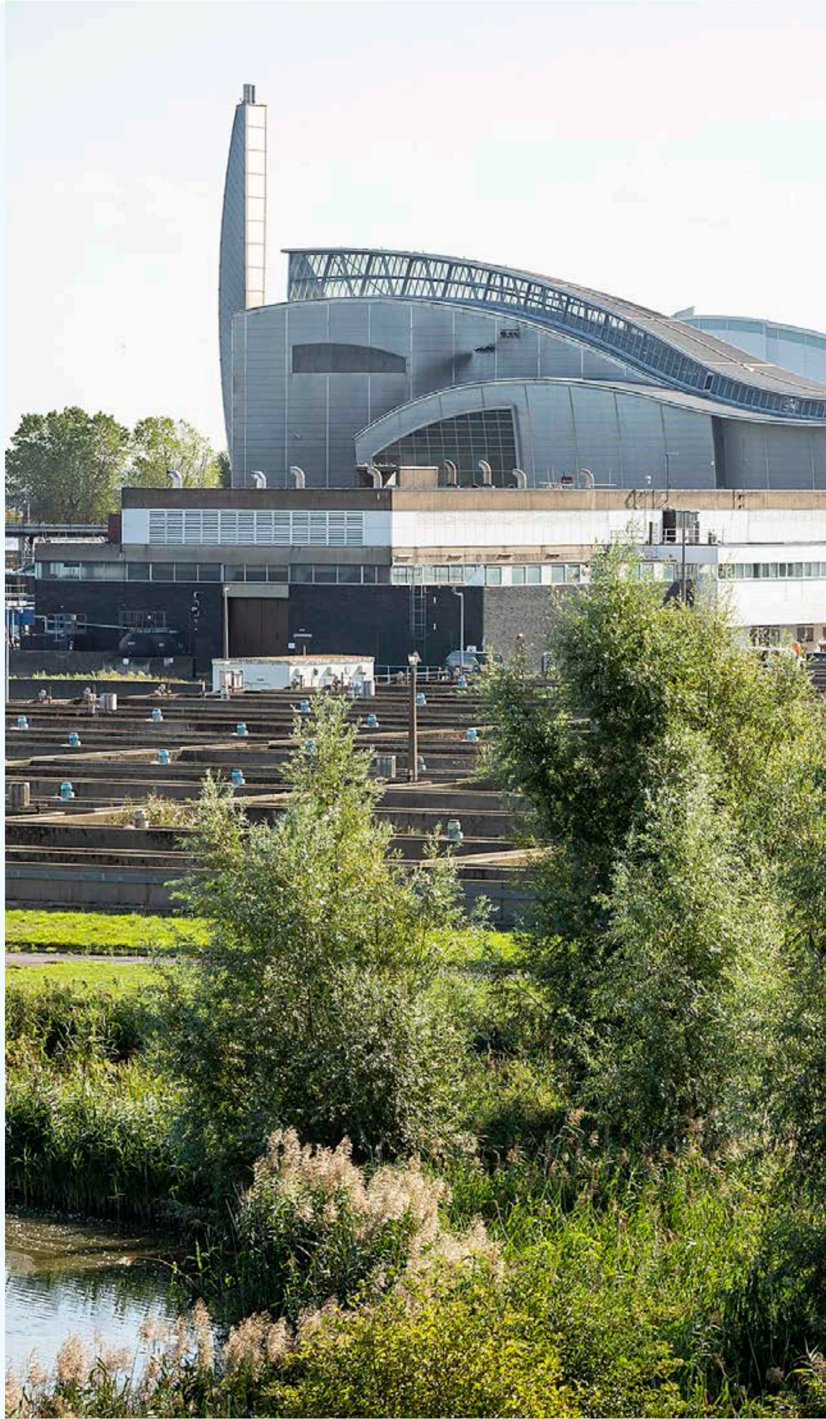
Some leases are new in the current financial period; some have extended in the current period, based on the update provided.

As a result of modifications in the period, the discount rate on these leases have been updated to the latest discount rate for the remaining period of the lease in line with the accounting standards.

Leases are not secured and are subordinated.

All the swaps have a break date at 31 Dec 2028 (if not investment grade) and 1 April 2030 (depending on structure of a future recapitalisation), except Consent Fee Derivatives.

All floating loans categorised as Loan (non-EIB), can be repaid early without penalty.



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Additional Information: Table 4C Impact of price control performance to date on RCV

Table 4C: Impact of price control performance to date on Regulatory Capital Value ('RCV')

This table allows the user to anticipate the impact of the RCV at the end of the price control period as a result of cumulative performance to date, along with any anticipated adjustments.

Additional narrative on the impact of price control performance to date

In line 1, we've amended the allowance figures for water network plus and TTT, as agreed with Ofwat. This is to remove a double count of conditional allowances expenditure (which is already included under the 'totex not subject to cost sharing' section) and to unwind income associated with TTT land sales and rent, which are not subject to cost sharing.

The RCV element of the totex over/(under)spend is a calculated value which reflects the customer's share of the difference between allowed and actual totex, multiplied by (1 – the average AMP7 Pay As You Go Rate %) to arrive at the capitalised portion.

Company and customer share of totex over/(under)spend for the price control period to date has been calculated using an average of cost sharing rates for the AMP. This follows direct correspondence with Ofwat

Different customer cost sharing rates are applied to the allowance/actuals variance based on individual price control and type of expenditure. This means the rates are subject to cost sharing, whereas business rates are not subject to cost sharing. This represents a change from 2021/22 and before, which was showing the company's share of over/(under) spend. Conditional allowances and relevant totex spend are included in the 'totex not subject to cost sharing' totals.

We're not subject to any ODI rewards or penalties with an RCV impact; all are taken through allowed revenues.

As we're at the end of AMP7, we have deemed that overspend relates to inefficiency. We have no underspend reported across price controls in the reporting period 2024/25. The period to date AMP7 underspend within Water Resources relates to timing of spend due to delays in capital expenditure for infrastructure projects.

Wholesale Water

In 2024/25, our total actual totex (net of disallowable costs, business rates, abstraction licence fees and grants and contributions) for water of £1,038.3 million was £201.9 million higher than the FD allowance of £836.4 million (in 2024/25 prices).

Variances to our FD are as follows:

- Water Resources expenditure for the year has remained broadly aligned with the £75 million allowance in the price control. However, we have seen increased pressure on operational expenditure such as energy costs;
- Our Mains Renewal Programme, which is scaling up in preparation for delivery through AMP8;
- The Smart Meter Programme, which has deployed nearly 90,000 meters this year, delivering measurable benefits in leakage reduction and improvements in Per Capita Consumption;
- Increased cost pressure on operational expenditure; throughout the AMP we have experienced higher than CPIH inflation across energy, chemicals, labour, and construction materials; and
- Disallowable costs include costs associated with customer compensation and restructuring costs. The most material balance within 'actual totex – not subject to cost sharing' relating to disallowable restructuring costs.

Wastewater Network Plus

In 2024/25, our total actual totex (net of disallowable costs, business rates, abstraction licence fees and grants and contributions) for waste was £1,440.5 million, £499.8 million higher than our FD allowance of £940.7 million (in 2024/25 prices).

Variances to our FD are as follows:

- This reflects the early-stage challenges in AMP7, particularly around mobilisation and the establishment of our capital delivery vehicles. Delivery momentum has since accelerated, and we are now investing at levels aligned with the requirements of AMP8 and beyond;
- We've made meaningful progress in delivering outputs under the Water Industry National Environment Programme ('WINEP'). However, inflationary pressures, particularly across construction delivery, have significantly exceeded allowances with many AMP7 outputs now to be delivered in AMP8;
- In line with our commitment to environmental performance, investment in historic Sewage Treatment Works ('STW') compliance and pollution reduction has been prioritised and will continue to form part of our AMP8 programme;
- Operating expenditure has also come under sustained pressure, with costs for chemicals, energy and labour all exceeding allowances, reflecting broader market dynamics and sector wide challenges;
- Aligned with our turnaround strategy, we continue to prioritise planned capital maintenance over reactive interventions—supporting reliability, reducing future risk, and securing efficient delivery over the AMP; and
- Disallowable costs include costs associated with customer compensation and pollution provisions, Ofwat fines and restructuring costs. The most material balance within 'actual totex – not subject to cost sharing' relates to disallowable Ofwat fines.

See our Regulatory library for the 2024/25 Annual Performance Report Tables

Additional Information: Tables 4D to 4H

Table 4D: Totex analysis for the 12 months ended 31 March 2025 – water resources and water network +

This table provides information about the cost of different activities undertaken as part of delivering upstream services with a breakdown of the total expenditure for carrying out the supply of water services.

There's no additional commentary on this table.

Table 4E: Totex analysis for the 12 months ended 31 March 2025 – wastewater network + and bioresources

This table provides information about the cost of different activities undertaken as part of delivering upstream services with a breakdown of the total expenditure for carrying out the supply of sewerage services.

There's no additional commentary on this table.

Table 4F: Major project expenditure for wholesale water by purpose for the 12 months ended 31 March 2025

This table shows wholesale water major projects' operating and capital expenditure split by purpose category.

There's no additional commentary on this table.

Table 4G: Major project expenditure for wholesale wastewater by purpose for the 12 months ended 31 March 2025

This table shows wholesale wastewater major projects' operating and capital expenditure split by purpose category. No spend is disclosed in this table as there are no waste-related projects within Thames Water that meet Ofwat's definition of 'major projects'.

There is no additional commentary.

Table 4H: Financial metrics for the 12 months ended 31 March 2025

This table shows our key financial metrics: measures of financial performance and financial position, revenue earned, earnings before interest, tax, depreciation and amortisation and an analysis of our borrowings in terms of interest payable and their maturity profile.

Additional narrative on our financial metrics

Under the terms of our Instrument of Appointment, the Group is required to maintain two investment grade credit ratings, as assigned by external rating agencies. In July 2024 our Class A credit ratings were downgraded below investment grade. Regaining our investment grade credit ratings is a key objective, to meet our licence conditions and to supportsour ability to access efficiently priced debt across a range of markets to fund our investment programmes, whilst keeping bills affordable for our customers.

The currently credit ratings mean we are operating in a cash lock-up under our licence, which restricts certain payments to associated companies, including dividends, without the prior approval of Ofwat. Distributions are also restricted under our financing documents, which were amended under a court-sanctioned restructuring plan in February 2025, to permit a new £1.5 billion super senior debt facility for new financing subsidiary, Thames Water Super Senior Issuer plc.

Our creditors continue to support our efforts to recapitalise, and following an unsuccessful attempt to secure new equity, are working with Ofwat to agree a balance sheet restructure with appropriate regulatory support. In addition, a 24 month deferral of debt maturities has created the liquidity headroom necessary to allow us to continue the process of recapitalisation. We continue to engage with regulators, the Government and all of our financial stakeholders to ensure that the Company is well placed to deliver for our customers and the environment.

Following the FD, we took the decision to refer the Ofwat determination to the CMA.

This referral process can take between six and twelve months, and our creditors have provided support sufficient to see us through that period. Subsequently, as discussions with potential new equity providers were held, and now that creditor discussions with Ofwat are continuing, we agreed with Ofwat to delay our deferral by up to 18 weeks.

Breakdown of interest paid

	£m
Net interest paid (1D.10)	(492.920)
Income included in net interest paid but should be added back for the interest cover	
Interest received on Money market deposits	(49.282)
Other finance income	(0.572)
Cost included in the net interest paid but should be reduced for the interest cover	
Interest cost relating to pension	5.200
Facility non-recurring fees	5.210
Other finance cost	0.598
Exceptional debt restructuring costs	68.400
Net interest paid	(463.366)

During the year £12.8 million accretion was cash paid on index-linked borrowings and £275.6 million accretion was cash paid on index-linked swaps. £463.366 million in the table above reflects cash interest paid and doesn't include any cash accretion paid on borrowings or swaps.

As disclosed in Table 1F, the calculation of RORE includes other exceptional items relating to land sales, pollution fines and customer compensation claims.

Additional Information: Tables 4I to 4K

Table 4I: Financial derivatives

This table provides an analysis of our portfolio of financial derivatives.

Additional notes on our assumptions

Interest rate payable and receivable for floating leg of derivatives has been determined using 31 March 2025 Sonia plus relevant margins.

Instruments which change from "fixed to index linked" to "floating to index linked" during their life have been classified according to their interest rate characteristics as at 31 March 2025.

Mark to Market is presented from Thames Water's perspective.

Out-of-the money (liability) positions are presented as positive and in-the-money (asset) positions are presented as negative.

The interest rate in column 'interest rate payable/receivable' for index-linked debt uses a denominator net of accretion paydowns, whilst the accretion element of the interest rate comes from a larger notional (due to accretion paydowns of £847.6 million).

The total mark-to-market figure in Table 4I excludes

(i) FX element of the principal of swaps which hedge foreign currency debt;

(ii) accretion on inflation-linked swaps; and

(iii) accrued interest on swaps.

The figures in Table 4V have been presented on the same basis, as stated in 4.76 of the guidelines.

Fair value reconciliation of table 4B to table 4I

	£m
Fair value of swaps as per Table 4B	1,383.909
Add	
Fair value of cross currency swaps included in debt lines fair value figure as foreign currency debt is shown post swap	66.749
Less	
Accretion on Swaps	(1,027.230)
FX on cross currency Swaps	(135.776)
Fair value of swaps as per table 4I and 1C	287.652

Table 4J: Base expenditure analysis for the 12 months ended 31 March 2025 – water resources and water network +

This table shows our base expenditure for wholesale water split by cost categories.

There's no additional commentary on this table.

Table 4K: Base expenditure analysis for the 12 months ended 31 March 2025 - wastewater network + and bioresources

This table shows our base expenditure for wholesale wastewater split by cost categories.

There's no additional commentary on this table.

See our Regulatory library for the 2024/25 Annual Performance Report Tables

Additional Information: Tables 4L and 4M

Table 4L: Enhancement expenditure for the 12 months ended 31 March 2025 – water resources and water network+

This table shows our enhancement expenditure for wholesale water split by cost categories.

Additional narrative on our enhancement expenditure

Supply-Demand Management

In August 2023, we published our revised draft WRMP and the revised draft Regional Plan along with our Statement of Response to the 1,600 consultation responses we received. Following approval from DEFRA, we published our WRMP24 which sets out how we plan to provide a secure and sustainable water supply for the 50-year period from 2025 to 2075. It was published in October 2024.

We continue to work in collaboration with four other water companies to develop five strategic regional water resources solutions; these are a reservoir, the Southeast Strategic Resource Option ('SESRO'), three transfer schemes (the Severn Trent to Thames Water, Thames Water to Southern Water and Thames Water to Affinity Transfers) and London Water Recycling (Teddington direct river abstraction ('DRA') and Beckton water recycling).

We've continued to develop our strategic resource options ('SRO') following successful internal review. We've carried out the non-statutory public consultation for Teddington DRA to help shape the design for that scheme and our Master Plan for SESRO will move forward to non-statutory public consultation in July 2024. We're progressing environmental feasibility reports for the preferred options.

We've also continued development of supply side options and development of an interconnector main in our Guildford Water Resource Zone ('WRZ').

Smart metering

Our current strategy continues to be to install smart meters in our optant, selective and replacement programmes. These meters can be read in Automatic Meter Reading ('AMR') or Advanced Meter Infrastructure ('AMI') modes when Local Communications Equipment ('LCE') is installed, in areas of network coverage (Arqiva Network & Vodafone NBIOT Network).

All meters installed are therefore classified as 'smart' based on the definition outlined by Ofwat. However, there will be instances when a non-household ('NHH') customer may request a meter that allows third-party logger compatibility through the NHH Retail market, or when our household customers request a 'basic' meter for religious grounds.

More information on our metering programme can be seen in Table 6D.

Additional lines

The following additional lines have been included:

- Unplanned Outage improvement: This relates to an FD allowance, over and above the base allowance, for improvements to unplanned outage performance and providing resilient supplies to customers. This investment has helped us to achieve the stretching performance commitment target of 2.34% unplanned outage in 2024/25.
- Improving the performance of London water networks: This relates to an additional FD conditional allowance, over and above the capital maintenance mains replacement programme, to improve the performance of the London water network and improve customer service.
- Feasibility assessments: These relate to impact studies performed within Developer Services, which in the previous AMP were included within 'New Development & Growth', but disaggregated going forward for transparency. There's no spend in the current reporting year, but previous cumulative spend from AMP7 is being reported.

Table 4M: Enhancement expenditure for the 12 months ended 31 March 2025 - wastewater network+ and bioresources

This table shows our enhancement expenditure for wholesale wastewater split by cost categories.

Additional narrative on our enhancement expenditure

The following additional lines have been included:

- Lee Tunnel: This line was added to capture and report the expenditure on the Lee Tunnel project separately in order to be consistent with the previous AMP's annual performance reporting submissions.
- New development and growth: This line was added to capture and report the expenditure on new development and growth that cannot be reclaimed through infrastructure charges which is now reported separately in Tables 4N, 4O and 4P.

Additional Information: Tables 4N to 4Q

Table 4N: Developer services expenditure for the 12 months ended 31 March 2025 – water network+

This table shows our developer services expenditure for wholesale water split by cost categories.

Additional narrative on our developer services expenditure

Capital expenditure reported in this table includes asset payments made to self-lay providers and developers. These relate to work quoted under Charging Arrangements prior to April 2020 where the Discounted Aggregate Deficit ('DAD') model was used to determine the value of Thames Water contributions to these schemes.

This table excludes the fair value of adopted assets.

Table 4O: Developer services expenditure for the 12 months ended 31 March 2025 - wastewater network + and bioresources

This table shows our developer services expenditure for wholesale wastewater split by cost categories.

Additional narrative on our developer services expenditure

This table excludes the fair value of adopted assets.

Table 4P: Expenditure on non-price control diversions for the 12 months ended 31 March 2025

This table shows our expenditure on diversions not covered by a price control.

Additional narrative on our developer services expenditure

This table includes all expenditure attributable to work delivered under the High-Speed Rail (London-West Midlands) Act 2017, which may include an element of new asset.

This includes £0.780 million of operating expenditure disclosed within 'Other Developer Services Non-Price Control Totex' attributable to work performed which will ultimately not result in diversionary activity taking place.

This table excludes the fair value of adopted assets.

Table 4Q: Developer services – New connections, properties and mains

This table shows the new connections, properties and new mains laid within the developer services part of the business split by water and wastewater.

There is no additional commentary for this table.

See our Regulatory library for the 2024/25 Annual Performance Report Tables

Additional Information: Table 4R Connected properties, customers and population

Table 4R: Connected properties, customers and population

Additional narrative on our population data

This table reports our connected properties and our customer and population numbers (in 000s). is consistent at c1.6%, and the water to wastewater population ratio constant at 66%.

Both our water and wastewater teams concluded that it was inappropriate to solely use the 2021 Census data to calculate resident populations. If we used Census 2021 population without any adjustment, there would be a reduction in Thames Water's total population numbers of around 3.5% (or circa 350,000 people) between AR22 to AR23. This does not reflect our expectations of growth. Therefore, we've amended both our water and waste methodologies to provide what we believe is the most accurate resident population numbers.

2021 Census data concerns include:

- The 2021 Census being conducted during a Covid-19 lockdown when we believe some of the transient population had temporarily moved out of central London;
- The Office for National Statistics ('ONS') have flagged a "potential miscalculation" with a recommendation to use the 2021 Census with caution;
- Some London Boroughs experienced significant reductions in reported population numbers between the 2011 Census and 2021, such as Kensington & Chelsea reducing by 11%; and
- Reviews of other datasets, such as pay-rolled employees in London, show a dip in March 2021 which fully bounced back by December 2021.

The 2021 Census reports occupancies in line with expectations for properties providing returns for the Census, but when comparing Ordnance Survey ('OS') property numbers with the 2021 Census, there are large discrepancies between the two. 2021 Experian population data, based on financial footprints, gives much higher populations than reported by the 2021 Census. We've also used insights from population studies by Edge Analytics.

While different methodologies were applied, the year on year increase in water and wastewater resident populations is consistent at c1.6%, and the water to wastewater population ratio constant at 66%.

Line 28: Water resident population

Our resident population has increased from 10,379,727 to 10,546,302, an increase of 1.60%.

We used information from our billing systems as our billed household property numbers are the best reflection of the trend in numbers of properties occupied, and hence the trend in population in our supply area. We derived the occupancy rate from 2017/18 to 2019/20 from our reported population divided by "billed household properties". We used this with our 2022/23 and 2023/24 billed household information to derive a consistent trend in population.

We calculated our resident population by multiplying our billed household numbers by our occupancy rate. This approach uses our own best available data and is similar to the way London Borough councils have derived their own populations using their own data.

Line 28: Wastewater resident population

Our resident population has increased from 15,626,994 to 15,890,621, an increase of 1.69%.

We calculated residential population by taking OS property counts (at the lowest level geographical area for ONS statistics, containing between 40 to 250 households) and multiplying them by the Average Household Size ('AVHH') as reported by Census 2021. In addition, we've made allowances for irregular migrants, holidaymakers and short-term residents (including Ukrainian Refugees), which are added to the total. Allowances for unoccupied properties and communal properties, such as sheltered accommodation or houses of multiple occupation ('HMOs') are then subtracted from the total.

Definitions of visitor nights

Domestic visitor nights: this is the population of domestic overnight visitors into our wastewater area. Edge Analytics have used the Great Britain Tourism Survey ('GBTS'), which provides a 3-year (2016-2018) average annual count of domestic visitor nights for each Local Authority area. The GBTS was suspended in March 2020 due to the Covid-19 pandemic, so no data is available for 2020 and only limited data for 2021. Data for 2022 is yet to be published. To account for the changes in visitors since 2016-2018, regional adjustment factors have been applied using the accommodation occupancy statistics published by Visit Britain, comparing the 2016-2018 annual average occupancy to the 2022 annual average occupancy.

Foreign visitor nights: this is the population of foreign overnight visitors in our wastewater area. The International Passenger Survey ('IPS') provides a count of foreign visitor nights in 2016, 2017 and 2018 for each sub-region of the UK. The 2016-2018 average annual visitor count from the IPS has been adjusted to reflect the post Covid-19 situation. An inbound visitor forecast, generated by Visit Britain, estimated that the number of inbound visits to the UK in 2022 totalled 29.7 million, 74% of the 2016-2018 average levels.

See our Regulatory library for the 2024/25 Annual Performance Report Tables

Additional Information: Tables 4S to 4Y

Table 4S: Green recovery expenditure for the 12 months ended 31 March 2025 – water resources and water network +

This table reports our green recovery expenditure within wholesale water.

Additional information can be found in our Green Economic Recovery statement.

Table 4T: Green recovery expenditure for the 12 months ended 31 March 2025 – wastewater network + and bioresources

This table is only applicable for companies with wastewater network+ and bioresources green recovery projects, and therefore has not been included within this report.

Table 4U: Impact of green recovery on RCV

This table considers the impact of our green recovery schemes on RCV.

There is no additional commentary for this table.

Table 4V: Mark-to-market of financial derivatives analysed based on payment dates

This table shows the mark-to-market of our financial derivatives.

Additional narrative on mark-to-market

The total mark-to-market figures in Table 4V have been presented on the same basis as in Table 4I, as stated in point 4.76 of the guidelines. The total mark-to-market figure excludes:

- The FX element of the principal of swaps which hedge foreign currency debt;
- Accretion on inflation-linked swaps; and
- Accrued interest on swaps.

These adjustments have been implemented as follows:

- The FX element has been adjusted on the foreign currency leg of the cross currency swap;
- Accretion has been applied to the pay leg of the inflation-linked swaps; and
- Accrued interest has been adjusted on the gross settled outflows or inflows as relevant for the cross currency swaps. For other swaps these have been adjusted on the net settled section.

Cross currency swaps: All settled on a gross basis, with the credit adjustment element of the mark-to-market either applied to the receive leg to reduce the market value receivable or to the pay leg to reduce the market value owed, depending on signage.

Interest rate swaps: Interest payment dates may not match in every case between pay leg and receive leg, but there is no final principal exchange at maturity. Our valuation system includes a principal exchange at maturity in reporting the valuation of each leg, which nets out in the overall mark-to-market value. For this reason, we present all of our interest rate swaps as settled on a net basis.

Index-linked swaps: Interest payment dates may not match in every case between pay leg and receive leg, but there is no final principal exchange at maturity aside from the payment of inflation accretion. Our valuation system includes a principal exchange at maturity in reporting the valuation of each leg, which nets out in the overall mark-to-market value. For this reason we present all of our index-linked swaps as settled on a Net Basis.

Out-of-the money (liability) positions are presented as positive and in-the-money (asset) positions are presented as negative.

Table 4W: Defined Benefit Pension Scheme – Additional Information

This table reports the details of our defined benefit pension scheme.

There is no additional commentary for this table.

Tables 4X and 4Y: Accelerated infrastructure delivery project expenditure by price controls

These tables are not required to be completed by Thames Water.

See our Regulatory library for the 2024/25 Annual Performance Report Tables

Additional Information: Table 4Z

Table 4Z: Household bill reduction schemes, debt and Guaranteed Standards Scheme ('GSS') payments

This table shows the bill reduction schemes and other forms of assistance we provide to improve affordability and accessibility for vulnerable customers. This builds on information shared in Table 2N for the first time last year.

Additional narrative on payments to household customers made in accordance with the GSS

For the 2024/25 reporting year, Section E of Table 2N has been moved to a new Table 4Z. In last year's APR, we were unable to provide data for two lines of data. We've made progress in addressing one of these in this year's submission. We're now able to include the additional goodwill and ex-gratia payments for customer service failings or uninsured compensation claims that are made to customers which do not fall under either the GSS regulations or would have been paid as Enhanced GSS payments in line with our own Customer Guarantee Scheme. For clarity, this does not include payments made our insurers or any payments made by external service providers that may be made directly to customers.

The one line of data that we're not able to report on is for unique customers receiving payments (line C3); our payment data is not structured in such a way that allows us to easily extract this information from our systems. This is further complicated by issuing payments to customers who we may not bill directly, such as those billed by other water companies or tenants whose bills are paid by a landlord or managing agent. Another complication is where property data provided does not match up with that held within our systems. We'll continue to investigate ways of capturing this data and we'll provide an update on this in next year's APR.

See our Regulatory library for the 2024/25 Annual Performance Report Tables

Additional Information: Tables 5A and 5B

Table 5A: Water resources asset and volume data for the 12 months ended 31 March 2025

This table provides data for our water resources assets and volumes.

Additional commentary on water resources assets and volumes data

Lines 12 – 14: Baseload groundwater, artificial recharge and aquifer storage and recovery water supply schemes

There have been no changes to the methodology this year. The number of groundwater works in use decreased by 1 as groundwater levels continued to be high for a second year. Similarly, the number of artificial recharge schemes reduced from 9 to 2. We do not have any aquifer storage and recovery sources.

Line 22: Total length of raw water abstraction mains and other conveyors

The process to estimate this length is the same as previous years. In lieu of the digitised position, the raw water reservoirs were identified from the SAP asset register. For each one, the shortest straight-line length was measured using the “measure distance” functionality in the GIS tool to record the distance between the nearest river and the edge of the reservoir. The lengths were then summed to provide the reported figure.

Line 23: Average pumping head (‘APH’) – raw water abstraction

There have been no significant changes to the methodology this year.

Proportion of data	Methodology
76%	Measured data, where both flow and lift (delivery head) has been obtained from PI AORTA or SCADA. This could include prior year values.
24%	Partially measured data where either the flow or head is measured (the principal estimation method is to revert to prior year head values).
0%	Data and static head estimates for water treatment works flows

100 % of sites contributing to APH have measured volumes and/ or lift.

Line 25 and 26: Total number of raw water abstraction imports and water imported from third parties’ raw water abstraction systems

Our only raw water abstraction import is a licence trading agreement with RWE Didcot. This has not been in use for the past four years.

Line 29: Water resources capacity (measured using water resources yield)

There’s been a decrease in water resources capacity of 7.9ML/d this year compared with 2023/24.

This is largely due to our inclusion of an adjustment for climate change which is consistent with the PR24 submission and licence reduction. Our methodology has been updated accordingly. Reduced asset availability has also impacted our water resources capacity.

Table 5B: Water resources operating cost analysis for the 12 months ended 31 March 2025

This table shows the operating expenditure for water resources by cost category.

There is no additional commentary for this table.

See our Regulatory library for the 2024/25 Annual Performance Report Tables

Additional Information: Table 6A

Table 6A: Raw water transport, raw water storage and water treatment data for the 12 months ended 31 March 2025

This table reports raw water transport and storage data, along with the breakdown of water treatment works ('WTWs') by treatment type and size. It also contains additional data associated with the water treatment business area.

Additional commentary on raw water transport, raw water storage and water treatment data

Line 5: Total length of raw water transport mains and other conveyors

There have been no changes to the methodology this year. This represents the total of all raw water mains in our GIS since we do not differentiate between abstraction and transport mains.

Line 6: Average pumping head ~ raw water transport

There have been no significant changes to the methodology this year.

Proportion of data	Methodology
77%	Measured data, where both flow and lift (delivery head) has been obtained from PI AORTA or SCADA. This could include prior year values.
23%	Partially measured data where either the flow or head is measured (the principal estimation method is to revert to prior year head values).
0%	Data and static head estimates for water treatment works flows

100% of sites contributing to APH have measured volumes and/ or lift.

Lines 13 to 27: WTW analysis

The total number of WTWs is 88, unchanged from a year ago. There were 5 sites not used in the year but not decommissioned, categorised as follows by groundwater ('GW') or surface water ('SW') works and complexity level:

Type	2024/25	2023/24	2022/23
GW2	1		3
GW3	2	4	1
GW4	1		4
GW5			1
SW5	1	1	1
SW6			1
Total	5	5	11

Each WTW's processes have been reassessed and updated for the year, resulting in 6 sites moving between bands.

- One was downgraded to GW1 from GW2 because of better understanding of its filtration assets;
- One site was upgraded to GW4 from GW3 because of its nitrate removal plant, which is regarded as a complex treatment with a high operating cost;
- One site was downgraded to GW3 from GW4 because it no longer has granular activated carbon ('GAC') absorption as a high-cost stage of complex treatment process;
- Two sites were downgraded to GW2 from GW3 because they do not have lead control orthodosing as a process; and
- One site was upgraded to GW5 from GW4 in recognition of two high-cost stages of complex treatment processes.

Line 32: Number of treatment works requiring remedial action because of raw water deterioration
Line 34: Average pumping head – water treatment

There have been no works contributing to this metric this year.

Line 34: Average pumping head – water treatment

There have been no significant changes to the methodology this year.

Proportion of data	Methodology
94%	Measured data, where both flow and at least one component of the delivery head calculation, i.e. suction or delivery pressure has been obtained from PI AORTA or SCADA. This could include prior year values.
6%	Partially measured data where either the flow or head is measured (the principal estimation method is to revert to prior year head values).
0%	Data and static head estimates for water treatment works flows

100% of sites contributing to APH have measured volumes and/ or lift.

See our Regulatory library for the 2024/25 Annual Performance Report Tables

Additional Information: Table 6B

Table 6B: Treated water distribution - assets and operations for the 12 months ended 31 March 2025

This table reports the assets and operational data for the treated water distribution business area.

Additional commentary on treated water distribution

Lines 16 and 19: Number of potable water pumping stations

This year, there are 5 fewer stations that pump into and within the treated water distribution system, along with an 4 fewer stations that re-pump water already within the treated water distribution system. However, this reflects a thorough review of the data as much as operational change in readiness for the new AMP period.

Line 24: Average pumping head – treated water distribution

There have been no significant changes to the methodology this year, although the weighted average reduction value of 23% (which was derived from using both suction and head data, as opposed to just using delivery head data in the calculation of flow head) which was used in AR23 reporting has been applied to the distribution calculation.

In terms of sites contributing to APH, 98% have measured volumes and/or lift. Our distribution APH includes sites on the Thames Water Ring Main.

Proportion of data	Methodology
85%	Measured data, where both flow and at least one component of the delivery head calculation, i.e. suction or delivery pressure, has been obtained from PI AORTA or SCADA. This could include prior year values.
15%	Partially measured data where either the flow or head is measured (the principal estimation method is to revert to prior year head values).
0%	Data and static head estimates for water treatment works flows

Line 29: Peak seven day rolling average distribution input

The peak seven day rolling average distribution input this year was 2718.53ML/d and occurred in the week ending 30 June 2024. This is a 1.9% decrease from 2023/24 due to the milder and wetter weather.

The overall distribution input ('DI') increase during the year was principally caused by continued growth in customer demand.

Line 35: Total annual leakage

The narrative for this line can be seen under BW04 Leakage.

Table 6C: Water network + - Mains, communication pipes and other data for the 12 months ended 31 March 2025

This table reports an analysis of the types of water mains, their age profile, the number of communication pipes and additional data for the water network plus price control.

There is no additional commentary for this table.

Additional Information: Table 6D

Table 6D: Demand management - Metering and leakage activities for the 12 months ended 31 March 2025

This table reports the metering and leakage activities broken down by expenditure and operational variables.

Additional commentary on metering activities

Our strategy is to only install smart meters in our optant, selective and replacement programmes. These meters can be read in Automatic Meter Reading ('AMR') or Advanced Meter Infrastructure ('AMI') modes when Local Communications Equipment ('LCE') is installed, in areas of fixed network coverage. All meters installed are classified as 'smart' based on the definition outlined by Ofwat.

The smart meters allow us to receive a daily profile of either 15 minute or hourly read data. This rich source of data allows us to better understand water usage in our supply area and identify leakage and wastage, enabling us to work with customers to help reduce demand and leakage.

In 2024/25, we installed 131,388 household and non household meters. Our smart metering roll out has delivered slightly lower installation volumes than forecast for AR25, due to a high proportion of internal meter installation fits and the challenges associated with property appointments and access. Total AMP installation volumes remain lower than forecast due to carry-over of historic external factors such as Covid-19 and global microprocessor shortages.

For the optant programme, we are ahead of the WRMP target for the cumulative AMP position due to a post-Covid-19 increase in customer optant meter requests. We have exceeded the AMP forecast for optant meter installations by around 19%. For the replacement programme we also exceeded the AMP forecast by around 22%.

We are behind for the selective meters but are on track to exceed the overall demand reduction benefit's associated metering and water efficiency due to the success of our workstreams utilising smart meter data to identify high consumption and wastage, enabling us to work with customers to help reduce demand and our Smarter Business Visits.

Our metering penetration has increased to 60.5% which is slightly behind our WRMP19 forecast but ahead of our WRMP24 forecast.

Our PR19 business plan forecast is shown below:

Type	Business Plan Forecast						Actuals					
	2020/ 21	2021/ 22	2022/ 23	2023/ 24	2024/ 25	Total	2020/ 21	2021/ 22	2022/ 23	2023/ 24	2024/ 25	Total
Residential meters renewed (excluding bulk meters)	33,895	33,895	28,256	28,599	26,000	150,645	25,850	49,285	40,204	34,736	33,630	183,705
Business meters renewed	11,000	11,000	11,000	11,000	11,000	55,000	11,360	10,639	10,822	12,408	10,906	56,135
Optant installs	17,289	17,289	16,156	17,297	17,297	85328	12,353	21,006	16,584	24,372	27,232	101,547
Selective meters installed (excluding bulk meters)	64,743	88,971	92,773	89,048	88,974	424509	44,137	94,454	88,709	67,809	59,426	354,535
New business meters installed	-	-	-	-	-	-	24	90	82	110	194	500
Total	126,927	151,155	148,185	145,944	143,271	715,482	93,724	175,474	156,401	139,435	131,388	696,422

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Additional Information: Table 6F

Table 6F: WRMP annual reporting on delivery – non-leakage activities

This table reports the current details of our Water Resources Management Plan ('WRMP'), including costs and benefits by activity type.

Additional commentary on our WRMP

All lines: Capex and opex

We've followed the guidance to align Table 6F with the totals in Table 4L. However, there is £4.652 million less capex in Table 6F than the associated lines in Table 4L. This variance relates to investment in improving the supply and demand balance which is not part of the WRMP programme.

We've resolved a legacy discrepancy in the price base and classification of the RWE Didcot opex costs. These are now correctly presented in both Table 6F and Table 4L.

Line 1: Internal interconnectors improvements

We have one AMP7 scheme which is delivering a new 8.4 km trunk main between Pewley Reservoir and Netley Mill WTW, which will improve resilience and our ability to transfer water across Guildford WRZ. The route of the main was originally from Shalford WTW but was changed to provide greater flexibility, with Pewley Reservoir being fed by both Shalford WTW and Ladymead WTW. Detailed design for the revised route results in an 8.4 km main compared with 9 km reported previously. The size of the new main was increased (from 300 mm to 450 mm) to allow for potential full closure of Netley Mill abstraction in AMP10 under Environmental Destination. The scheme is due to complete in 2026-27.

Line 2: Supply-side improvements

The new temporary licence trade agreement with RWE Npower at Didcot, covering AMP7, was signed and came into force from 1st April 2020. The increase in target output from the trade, from 18 ML/d to 24 ML/d, is based on a reassessment of the benefits rather than reflective of a material change to the agreement itself.

We've also proposed a new licence trading agreement for RWE Npower Didcot on the same terms for AMP8, which delivers a larger benefit than the sum of the deferred and cancelled schemes at a lower cost.

Lines 3-9: Supply-demand balance improvements

The New River Head scheme requires further ground investigation work, which has been scoped, before the availability of the scheme can be confirmed and the solution can be fully defined. The benefit has been zeroed pending conclusion of these investigations.

Horton Kirby ASR is being progressed, but due to the length of time that the aquifer conditioning stage requires, the scheme will now deliver by the end of AMP8.

The Southfleet and Greenhithe option was included in our WRMP19 for delivery by 2024/25, but a decision was made during AMP7 to defer it indefinitely, in part due to one of the key drivers for the scheme, the London Resort, being indefinitely delayed. Thames Water's decision to defer the scheme was accounted for by Ofwat in the PR24 determination via the application of a claw-back. Having decided not to deliver the scheme during AMP7, we then reconsidered it as an option for potential future delivery in WRMP24. We may look to deliver it during AMP8, alongside other sites through the allocations made in the PR24 determination.

Following the completion of further studies and discussion with the EA, it has been established that the Deephams STW reuse scheme has potential environmental risk. We have therefore withdrawn this option from the preferred programme along with its expected spend and benefits. Other Strategic Resource Options ('SRO') are under consideration as a replacement for this scheme as part of the Water Resources in the South East ('WRSE') WRMP24 process. We have not included any SROs in Table 6F as they are at the conceptual design stage and were funded separately in the PR19 determination.

East London (Addington) ASR is no longer in the preferred programme for WRMP24. It is in one of the alternative programmes, but not in the forecast until 2075. Therefore, we have stated no expected spend or benefit against this line.

The London WRZ is forecast to remain in surplus throughout AMP8. To help mitigate the risk of a changing supply demand position, we have brought forward the Addington groundwater supply scheme. This is a new borehole that would feed into the existing Addington WTW in south London, increasing the site yield up to licence and delivering at the end of Year 3 in AMP8. There has been a small amount of early start expenditure in AMP7 in order to progress this scheme, which has been included in the AR25 data table.

The Ladymead removal of constraints scheme in the Guildford WRZ is the only other resource scheme included in the WRMP19 preferred plan. The upgrade work is being delivered in two phases. The first phase improves resilience, with a new contact tank and sampling facilities completed during 2024/25. The disinfection upgrade programme has been delayed pending relocation of an EA depot. A new location has now been agreed, and plans are in the process of being finalised. A raw water quality event at the site in 2024 resulted in the emergency installation of cartridge filters for turbidity management, which has led to a more stable operation resulting in less outages.

Additional Information: Table 6F (continued)

Lines 3-9: Supply-demand balance improvements (continued)

The upgrade of borehole pumps and drives at Ladymead and Dapdune groundwater sources has been impacted by both the delay to the disinfection programme and the emergency works. The second phase, which is required to realise the deployable output following the removal of constraints in the first phase, is upgrading the booster pumps. Due to the design complexity and delivery timescale it is expected this will take until the end of AMP8 to deliver.

Lines 10-16: Demand-side improvements assumptions

The cumulative ML/d demand reduction achieved AMP to date is ahead of forecast, with some demand reduction variation seen across all individual activities. The Water Efficiency programme will continue to evolve, using smart meter data and regular monitoring of each activity, with a focus on the total AMP7 demand reduction objective.

Our 'After 2024/25' costs and benefits have been updated to align with our WRMP24 which was published in Autumn 2024. We have not included digital engagement, NHH innovation, NHH retailer activity or NHH tariffs options which are included in WRMP24 as they were not being delivered in AMP7.

Line 10: Smarter Home Visits ('SHVs')

Our SHV activity maintained the increased level of 5,000 visits a year from 2023/24, and exceeded our forecast. SHVs continued to be targeted at high-use households (over 500 litres per property per day) using smart meter data to select and recruit applicable households.

We use smart meter data to assist with targeting high-use households and maximising the demand reductions achieved per SHV, plus continuous flow data to initiate targeted engagement for both wastage self-fixes and Customer-Side Leakage ('CSL') action.

This insight has been shared with the Government, regulators and other water companies to help inform PR24 programme development.

Line 11: Smarter Business Visits ('SBVs') including wastage fixes

Our SBV activity continues to be very effective for demand reduction. This activity continued at the enhanced level of activity seen in 2023/24 to continue to assist with reducing leakage, and to maximise the use of continuous flow data in NHH premises. This programme targeted the highest commercial users, including schools, leisure centres, and sports stadiums, with the aim of achieving 10ML/d savings in-year. This target was exceeded, and demand reduction and leakage sub-benefits were achieved in a highly cost-effective manner.

The ML/d benefits delivered this year saw a continuation of our productive partnership with the Department for Education, enabling increased school visits, which provide enhanced water saving opportunities and help public sector organisations secure financial savings benefits.

Line 12: Wastage fixes – households

Our wastage fixes are continuing to deliver consistent and useful water savings per visit, but the cumulative demand reduction process is behind the original WRMP19 projection due to the longstanding impacts of Covid-19 restrictions, which resulted in months of no delivery.

Our wastage evidence continues to be shared with regulators, industry and trade bodies, the manufacturing industry and product certification bodies to help inform activities aiming to address the UK's 'leaky loo' issue.

Line 13: GreenRedeem / household incentive scheme

Our ability to expand our GreenRedeem water efficiency incentive, in line with WRMP19 projections, was impacted by reduced SHV activity along with a restricted ability to engage digitally with customers to promote water efficiency incentives due to the updated Privacy and Electronic Communications Regulation ('PCR') ruling on data protection laws, requiring greater levels of customer consent and restrictions on material deemed as 'marketing'. The demand reduction volumes per customer registered with GreenRedeem continue to be very favourable, and we hope to expand the programme in 2025/26. We will continue our use of incentives to enable greater demand reduction benefits to smart meters customers.

Line 14: Non-potable water

We have not delivered any non-potable water reduction in AMP7. Our efforts have focused on working with DEFRA and the Future Homes Hub to inform the development and consultation of Building Regulations changes.

We have also introduced the water sector's first Environmental Incentive for Developers with financial rewards for the take-up of water reuse technology, such as rainwater harvesting and greywater recycling. This aims to accelerate the adoption of non-potable technologies within new housing developments and work towards a 'water neutral' outcome.

This has now been adopted as an industry wide activity for AMP8, and we will continue to administer this scheme throughout 2025-30.

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Additional Information: Table 6F (continued)

Line 15: Housing Associations

We migrated all separate housing association home visits into our larger SHV programme during 2021/22. From 2022/23 onwards, all water efficiency visits conducted in housing association properties fall under SHV delivery and reporting.

Line 16: Innovation savings

We've continued with our Water Efficiency Incentive for Business Retailers. Insight from this offering is shared with Ofwat, Market Operator Services Limited ('MOSL') and retailers to inform future retail market regulation and engagement bilateral arrangements.

We've also continued to work proactively with external suppliers of new technology and customer engagement opportunities. These can lead to small pilots and trials to inform future water efficiency programmes. In parallel to sharing these results with other water companies through the Water Efficiency Network, we will use these trials to expand our innovation activity into later AMPs.

Line 17: Financial tariffs

In line with WRMP19, financial tariffs have been included after 2024/25. They are planned for introduction once our metering programme is complete. Therefore, there are no financial tariffs in AMP7.

Line 18: Green Economic Recovery

We're no longer delivering Green Economic Recovery.

See our Regulatory library for the
2024/25 Annual Performance Report Tables

Additional Information: Tables 7A to 7E

Table 7A: Wastewater network + - Functional expenditure for the 12 months ended 31 March 2025

This table shows functional expenditure for our sewage treatment works split by site size.

There is no additional commentary for this table.

Table 7B: Wastewater network + - Large sewage treatment works for the 12 months ended 31 March 2025

This table shows the operational details of our large sewage treatment works ('STWs').

Additional commentary on our large sewage works

We complete a data reconciliation between Tables 7B and 7D to maintain consistency in what we're reporting for our STWs. There's a difference in the load between Tables 7B and 7D. This is due to one site, Abingdon, being split into Abingdon New and Lagoon in 7D as it has two different consent limits. In 7B, only Abingdon Lagoon is a band 6 large STW when the PE is pro-rata-ed by flow between the Lagoon and New streams. Abingdon New is a band 5 STW. In 7D, the two works aren't split out as it doesn't require it. All other loads match.

Table 7C: Wastewater network + - Sewer and volume data for the 12 months ended 31 March 2025

This table reports the sewer and sewage volume data for the wastewater network plus price control.

Additional commentary on sewer and sewage volume data

Line 13: Volume of wastewater receiving treatment at sewage treatment works

We don't include an estimate of the sites with a population equivalent less than 250. However, these are thought to represent 0.1% of our total flow.

Line 14: Length of gravity sewers rehabilitated

The length completed in 2024/25 (38,222m) has increased by 9% from 2023/24. The number of reactive dig downs and relining jobs completed has decreased by 21% (to 2,049m), so the overall increase in rehabilitation length is predominantly due to more proactive work completed.

Line 15: Length of rising mains replaced or structurally refurbished

The length of rising main repairs completed in 2024/25 (11,679m) has increased by 80% from 2023/24. This is primarily because investment in three planned Capital Delivery projects delivered a significant length of repair (11,050m). The remaining activities were shorter length, reactive rising main bursts and repairs.

Our interpretation of "structurally refurbished" is that it is intended to capture any pipeline rehabilitation technique which results in an improvement in the structural integrity of the pipe such that its expected service life has been materially extended.

Table 7D: Wastewater network + - Sewage treatment works data for the 12 months ended 31 March 2025

This table reports the sewage treatment works load and numbers categorised by size bands and the population equivalent data.

Additional commentary on STW data

Line 21: Population equivalent treatment capacity enhancement

The scheme at Benson STW which could not be evidenced last year has now been confirmed and included in this year's figure.

Table 7E: Wastewater network + - Other data including energy consumption and scheme delivery for the 12 months ended 31 March 2025

This table reports the energy consumption and additional data, such as storm capacity schemes delivered, for the wastewater network plus price control.

There is no additional commentary for this table.

See our Regulatory library for the 2024/25 Annual Performance Report Tables

Additional Information: Table 7F

Table 7F: Wastewater network+ - WINEP phosphorus removal scheme costs and cost drivers

This table shows the scope, financial and cost benefit details of our phosphorus removal schemes, site by site.

Additional commentary on our phosphorus schemes

Capex

Our capex data is predominantly sourced from the March 2025 monthly project expenditure report issued by our Finance team. To achieve consistency with the PR19 submission, we've used the closely governed purpose codes for each project (of which three indicate phosphorous removal).

Exceptions from this process are made for four projects containing multiple sites; additional granularity is then sought from the financial modelling provided by Capital Delivery (our mechanism for delivering large and complex capital work).

The majority of WINEP outputs are delivered by a single project, so we've reported the cost of delivering the phosphorus element directly. However, two projects covered delivery of multiple WINEP outputs, but were disaggregated into individual projects following an Ofwat query last year. The new projects inherited all historic costs into 2024/25, so we've manually removed these historic costs to calculate the correct expenditure for this year and we've had to calculate these costs using a different method for each:

- For schemes previously under capex project reference K557, we've used total delivery figures for each output and subtracted the historic values; and
- For outputs previously under capex project reference K556, greater data complexity meant that the 2024/25 delivery cost for the group of schemes has been allocated proportionally based on each output's historic cost proportion.

Future projects originate from the PR19 business plan and have the same purpose codes. New lines that have been added are allocated one or more purpose codes based on the type of work and benefits expected to be delivered.

Actual spend in the reporting year is compared with Table 4M Line 35 and the historically reported spend in cost assessment submissions for consistent mapping and across accounting separations for all projects. However, it should be noted that 7F and 4M are reported in different price bases according to requirements so the total in 7F will not match this year's figure in Table 4M.

The data used to populate Table 7F also contains a small number of high-level adjustments which cannot be specific to individual projects, such as for uncommitted funding allocated to the phosphorus removal programme but not yet a specific site. This is spread pro-rata across all sites in the model on a cost ratio basis within each reporting year.

There's three lines of return on investment adjustment, which reflect the contract mechanism for completion of our AMP6 schemes. It's not possible to reflect these adjustments at a site-specific level.

All completion dates have been reviewed and updated from AR24 where necessary by our project and investment teams.

Opex

For AMP6 schemes, our Opex Impact of Spend ('OIS') tool has been used based on the design's size, measured in Population Equivalent ('PE') for each site, and budgets as at November 2019. This tool combines power data, chemicals budget data and our actual historical unit rates for power and chemicals.

For AMP7 and AMP8 schemes, we have used the PR19 calculation by phosphorus permit limit banding (0.1-0.5mg/l and >0.5mg/l) and PE banding (<10,000 and >10,000). This may result in a higher than expected opex, especially for our smallest sites, but provides a standardised framework.

Across all opex estimation, we've assumed that it's prudent to use the 2022-23 unit rates for future years. For all projects expected to be completed this year, the opex has been pro-rated based on the number of months of full scheme use following completion according to the project design details.

For projects completing in AMP8 or beyond, we've provided the full year opex according to requirements.

Population Equivalent Served

Our figures are consistent with the PE methodology for Table 7D for this year and prior years. For future years, we've applied the site-specific growth multipliers calculated for PR24.

Cost Drivers

The scheme design PE figures are as stated in the project briefs, modelled according to our standard growth insights and modelling techniques.

Historical permit levels are taken from our discharge permit database. Enhanced permit levels are as stated in our AMP6 or AMP7 WINEP tracker, according to the completion date of the scheme.

Schemes with only a permit change and no structural works have been confirmed through design reviews by our Capital Delivery team. Similarly, catchment-based solutions would have been identified through the project briefs for future schemes and design reports for those completed in AMP6, but we do not currently have any relating to phosphorus removal.

We have two transfer pipeline schemes in scope – Rusper STW, which was completed in AMP6, and Thornwood, which has been approved to proceed in AMP8. These are the only schemes showing details for the transfer pipeline and transferred flow cost drivers.

We've not identified any additional company-specific cost drivers.

Additional Information: Tables 8A to 8C

Table 8A: Bioresources sludge data

This table reports our bioresources sludge data.

Additional commentary on bioresources sludge data

Line 1: Total sewage sludge produced, treated by incumbents

There's been a recorded increase in sewage sludge produced due to two factors, Firstly, improved consistency of day to day recording of sludge being produced on sites. Secondly, increased volume of sludge coming into our sites from non-appointed liquid waste treatment.

Line 2: Total sewage sludge produced, treated by third party sludge service provider

Due to operational issues with some sludge treatment assets, a small quantity of sludge was treated by third party providers through exports to other water companies.

Line 4: Total sewage sludge produced from non-appointed liquid waste treatment

All cess waste imported into our sewage treatment facilities discharges via cess loggers, which record the volume and solids content of the cess. This waste then goes through the standard treatment processes at our STWs and sewage sludge included is settled out within that process and is therefore included in the figures for Line 1.

Line 5: Percentage of sludge produced and treated at a site of STW and STC co-location

Due to planned and unplanned outages at our sludge treatment centres ('STCs'), a greater volume of sludge has been transferred from our STCs and the volume on this line has reduced.

Line 7: Total sewage sludge disposed by third party sludge service provider

This figure has been populated with the same as Line 2, because we don't know through which type of treatment the third party service provider will treat the sludge.

Lines 10, 11, 13, 15, 16 and 18: Tanker and truck movements

Internal tankering services were used for intersite movement of liquid sludge, supported by ten framework suppliers. Intersite cake in trucks has been brought in-house for both intersite movements and haulage to land. Some subcontracted vehicles are used to move cake both internally and externally, but the operation is managed and operated in-house and therefore all deemed to be undertaken by the incumbent and not a third party.

The only sludge transport undertaken by a dedicated pipeline is a transfer between Beckton and Riverside STCs in East London.

Contractors were used to undertake haulage and spreading of final product, but under our management. During the period, only dewatered sludge cake was recycled, therefore no liquid tanker operations were employed for final disposal.

Actual road distances were not available, so radial distance inflated by a multiplier of 1.4 was applied. This factor was calculated from a sample set of data where radial distances between sites were compared to actual road distances. This method has been consistently applied throughout the AMP.

Table 8B: Bioresources operating expenditure analysis for the 12 months ended 31 March 2025

This table shows the bioresources operating expenditure for the upstream services, processes and disposal routes.

There is no additional commentary for this table.

Table 8C: Bioresources energy and liquors analysis

This table shows the energy generated and income received for our bioresources price control.

Additional commentary on bioresources sludge data

Lines 15 and 16: Biochemical oxygen demand ('BOD') load and ammonia load of liquor or partially treated liquor returned from bioresources to network plus

During the period, all dewatering centres and sludge treatment facilities produced liquor which was returned to the adjacent STW for treatment. Whilst we've started a programme to routinely measure these loads, we were unable to provide representative samples across all sites, due to difficulties with identifying suitable sampling locations and, in some instances, safe access to the sampling facility.

We've therefore only periodically tested these liquors for BOD and ammonia concentration and have used our generic asset standard loading rates for typical liquor strength according to the dewatering technologies and processes.

Additionally, due to the arrangement on each site, measurement of liquor flows is difficult to assess. Therefore, the annual average daily flows into the dewatering plant and the associated dry solids concentration of the ingoing and outgoing sludge were used to calculate the volume of liquor. These figures were also adjusted to take out the polymer and wash water used during the dewatering process.

Changes year on year for these lines are likely attributable to our focus on continually optimising the sludge management in both transfers between strategic sites and managing locally indigenous sludge. We aim to minimise and balance factors such as the impact of costs to transport, the impact of tanker movements on local communities and operational costs to the business.

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Additional Information: Tables 8C (continued) to 10A-F

Table 8C: Bioresources energy and liquors analysis (continued)

Line 17: Recharge to bioresources by network plus for costs of handling and treating bioresources liquors

The cost to treat the liquor was calculated using the liquor concentrations from lines 15 and 16. Given that the cost is predominantly associated with ammonia loads, our cost base was the proportion of the secondary treatment process at each STW in operation. We used the estimated modern equivalent asset value ('MEAV') of the secondary treatment process plus the operating costs incurred in treating the load and the associated thickening costs of handling the biological sludge generated.

Table 8D: Bioresources sludge treatment and disposal data for the 12 months ended 31 March 2025

This table reports the percentage of sludge treatment processes and percentage of (un-incinerated) sludge disposal and recycling routes.

There is no additional commentary for this table.

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Table 9A: Innovation competition

This table shows how much we've collected from our customers for our innovation fund and how the funds will be spent.

There is no additional commentary for this table.

Section 10: Additional reporting for Green Economic Recovery

We are no longer delivering Green Economic Recovery ('GER'), so all of our tables in Section 10 are a nil return.

In 2023/24, Thames Water made the decision to stop our GER programme as we were unable to recover our costs and this programme was not funded within our AMP7 determination.

Additional Information: Table 11A

Table 11A: Greenhouse gas emissions reporting for the 12 months ended 31 March 2025

This table details our greenhouse gas ('GHG') emissions across cost categories.

Additional commentary on our greenhouse gas emissions data

We calculate our GHG emissions using the UK Water Industry Research Carbon Accounting Workbook ('CAW').

The CAW calculations follow the GHG Protocol's Carbon Reporting Standard. Under the GHG Protocol, there are two distinct methods to account for Scope 2 emissions, which are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling:

- Location-based: this method reflects the average emissions intensity of the grid on which energy consumption occurs (using a grid-average emission factor data).
- Market-based: this method reflects emissions from electricity that companies have purposefully chosen, and it derives emission factors from contractual instruments.

Our net operational emissions decreased by 1.1 ktCO_2e from 582.2 ktCO_2e to 581.1 ktCO_2e in 2024/25.

Our gross operational emissions also decreased by 1.6 ktCO_2e from 585.4 ktCO_2e in 2023/24 to 583.8 ktCO_2e in 2024/25.

We primarily achieved this by:

- Further reducing our fossil fuel use by using biogas instead of natural gas in boilers, resulting in a 1.4 ktCO_2e reduction and offsetting some of the 1.5 ktCO_2e increase in emissions from diesel use.
- Reducing emissions associated with our vehicle transport (Fleet) by 1.1 ktCO_2e.
- Increasing electricity purchased from the grid by 1% (1.7 ktCO_2e), due to prioritising biogas in the boilers for renewable heat production and for biomethane production rather than electricity self-generation.
- Decreasing overall Scope 3 emissions by 10.4 ktCO_2e; emissions from chemicals reduced by 4.5 ktCO_2e and from our outsourced operators by 3.8 ktCO_2e respectively.

As Thames Water sources renewable electricity accredited with renewable 'Guarantees of Origin' through a contract with our supplier, a market-based accounting approach is applied when reporting Scope 2 emissions.

Using the market-based approach, our net operational emissions decreased from 350.4 ktCO_2e in 2023/24 to 347.4 ktCO_2e in 2024/25.

Our gross operational emissions also decreased from 355.9ktCO_2e in 2023/24 to 352.4 ktCO_2e in 2024/25.

Line 34: Gross operational emissions (market-based)

This line is only accounting for Scope 2 market-based emissions, whereas the equivalent gross operational emissions (location-based) on unlike Line 33, where all Scope 1 – 3 emissions are included.

We've disclosed our market-based emissions as a sum of Scope 1 – 3 emissions, applying any market-based emissions reductions.

Line 44: Capital projects (cradle-to-gate)

Our system and tools are based on a cradle to build approach and do not currently enable us to present a meaningful number for cradle-to-gate emissions.

Line 45: Capital projects (cradle-to-build)

This year, we've enhanced our capability in consistently estimating and reporting emissions across the business and gained additional insights into our emissions. In particular, we consider our embedded emissions reporting to meet 'Green' status within Ofwat's assessment table.

Line 46: Purchased goods and services

This is the sum of Lines 22 outsourced activities and 26 chemicals. These emissions are already included within our existing operational carbon reporting figures under Scope 3 emissions, and include services provided by third parties related to operational activities, such as transport, mobile plant fuel usage and office services, as well as emissions associated with chemical purchase and usage.

See our Regulatory library for the 2024/25 Annual Performance Report Tables

Additional Information: Table 11A (continued)

Strengths, Weaknesses, Opportunities and Threats ('SWOT') analysis of our approach to reducing operational and embedded GHG emissions

Our carbon strategy follows a carbon management hierarchy which aligns with best practice and addresses the management of our operational and capital carbon in parallel. For more details, please see our AMP8 Carbon Reduction Strategy which carries forward our current practices.

We've completed a SWOT analysis for operational and embedded emissions, reflecting guidance to focus on accounting and reporting processes, as well as carbon performance and impact. Carbon accounting is an evolving subject and we regularly review standards and best practice to maintain appropriate reporting alongside compliance with annual reporting requirements:

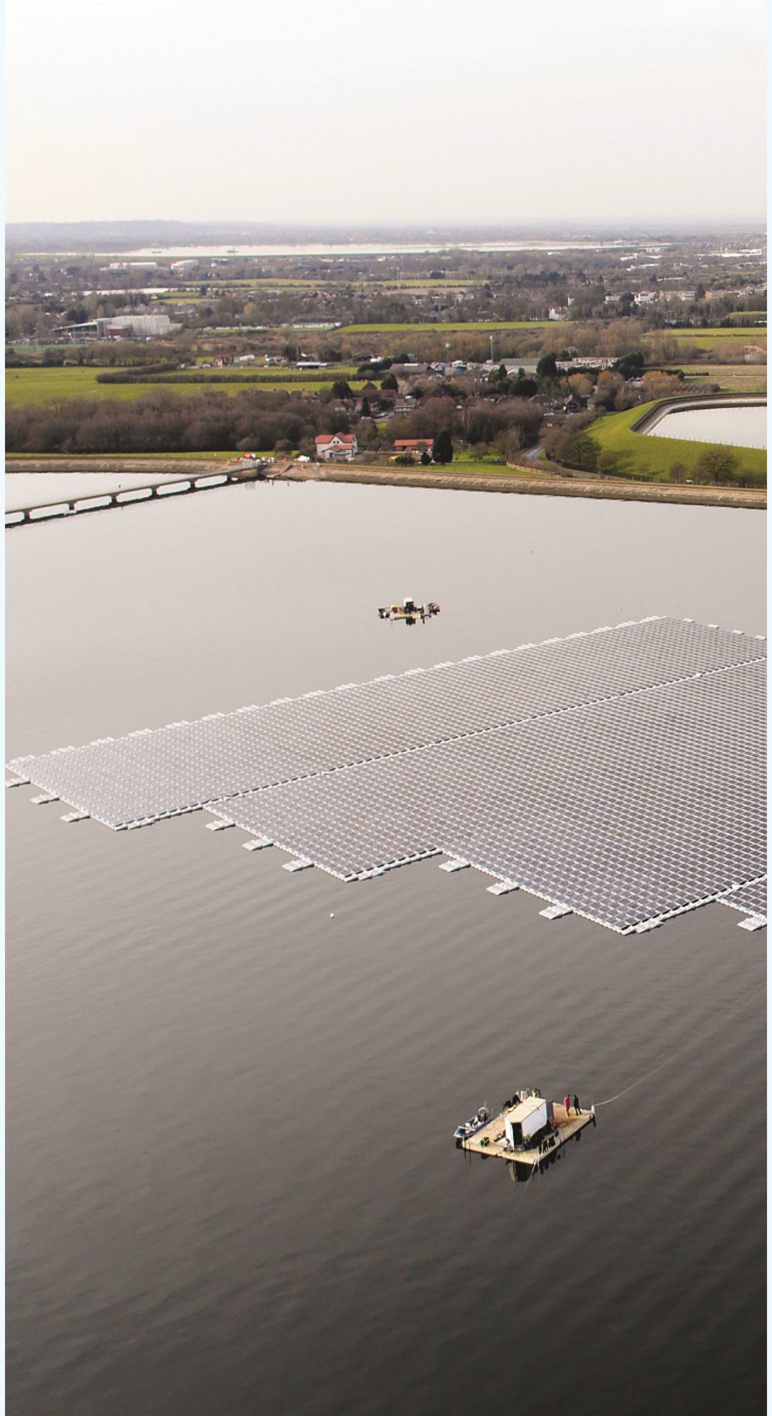
Strengths

- We're leading the Water UK Carbon Network subgroups for Capital Carbon and Supply Chain emissions, to aid knowledge sharing across the water and wastewater industry.
- We're active members of a subgroup to the Water UK Carbon Network, working to improve the industry's operational carbon reporting through the Carbon Accounting Workbook.
- We've got a detailed capital Carbon Assessment Tool and cradle to build capital carbon reporting for all investments which go through our capital investment process.
- We've improved our capital carbon data capture and reporting, inclusive of the automation of data collection and reporting as well as the data granularity.
- We're integrating our carbon thinking into both our operational and delivery areas of the business through an updated Carbon Standard which aligns with the GHG protocol and PAS2080 standard.
- We're actively engaging within and outside the industry to collaborate on innovative and creative solutions to solve the biggest challenges the industry faces in reducing its carbon emissions, such as de-carbonising wastewater process emissions.
- We're leading on Ofwat innovation projects such as Anaerobic Wastewater Treatment and Proving the Concept of Sewage Sludge Pyrolysis. Additionally, we're supporting several other Ofwat innovation fund projects.

Weaknesses

- Our capital Carbon Assessment Tool continues to evolve and it will need to be updated as emissions were collated from third parties many years ago and it does not currently enable cradle to gate emissions estimating.
- There's no consistent industry approach to Scope 3 carbon reporting beyond what is included within the CAW.
- Reporting methodologies within the CAW have not yet been developed to demonstrate the benefits of some carbon management interventions, such as real time control.

Additional Information: Table 11A (continued)



Opportunities	Threats
• Raising awareness of the challenge of wastewater process emissions to focus the industry and its supply chain on resolving some of our hardest to abate emissions, along with encouraging innovation. • Continuing to develop our approach to Whole Life Carbon assessments in our investment decision making processes. • Continuing to develop our carbon and energy culture, increasing technical knowledge and competencies across the business. • Continuing to develop and improve our reporting of purchased goods and services, progressing from a spend based assessment towards supplier and product specific Scope 3 reporting. • Seeking to optimise our investment programmes across different delivery offices to reduce construction required and the number of construction phases per site. • Updating our capital Carbon Assessment Tool, to improve usability and the ability to update in the future. • Lobbying government for the inclusion of existing digestion facilities within the government's Green Gas Support Scheme. • Gaining verification or assurance for the ISO14064 and PAS2080 standards. • Developing our capital projects accounting and reporting mechanism to provide empirical values in alignment with a standard reporting methodology alongside insights.	• Differing reporting requirements (e.g. the fixed location-based version of the CAW for performance commitment reporting) will create inconsistencies with other regulatory reporting, such as the Task Force on Climate-Related Financial Disclosures ('TCFD') and Streamlined Energy and Carbon Reporting ('SECR'), and potentially conflicting investment cases. • Changing government policy could negatively impact the pace of de-carbonisation within the wider industry. • Management of wastewater process emissions; technological solutions and the associated investment are not currently available at scale. • Failure or delay of the electricity grid to de-carbonise in line with government targets and policy. • Increasing treatment standards and the need for infrastructure investment driving an increase in capital carbon emissions. • Justifying additional investment to drive forwards low carbon innovation when targeting efficiency within the investment governance cycle.

We've installed floating solar panels on our reservoirs

Additional Information: Table 11A (continued)

The embedded GHG traffic light system

We consider our embedded emissions reporting to meet 'Green' status within Ofwat's assessment table, meeting the following five criteria:

1. Provision of embedded emissions data as it relates to capital projects: cradle to build.
2. Engagement with more than one recognised standards, frameworks, or approaches for managing and reporting on embedded emissions. Our Carbon Management Asset Standard is based on and adopts British Standards Institute Publicly Available Specification 2080:2023 - Carbon management in buildings and infrastructure, the Royal Institution of Chartered Surveyors' Global professional standard, Whole Life Carbon Assessment for the built environment (2023) and UK Water Industry Research's framework for accounting for embodied carbon in water industry assets (12/CL/01/15).
3. Complete a detailed SWOT analysis referring to embedded emissions, as provided above.
4. Provision of insights into embedded emissions as they relate to construction and maintenance activities, which is provided below.
5. Evidence of both internal and external stakeholder engagement and education on our GHG emissions management and reporting approach, provided below.

Emissions data is reported on a cradle to build basis. We are developing our carbon assessment tool to increase its usability and adaptability for the future, with the aim of enabling cradle to gate emissions calculations in the future. Emissions associated with capital projects are calculated using a capital carbon model for all investments which go through the capital investment governance process.

Our processes and standards are aligned with PAS2080. While we are yet to commence external verification and certification via a third party, we will consider the value of this as we move forwards.

Our AMP8 Carbon Reduction Strategy & Net Zero Bid sets out our carbon management hierarchy and approach to aligning with PAS2080.

The embedded emissions we report include GHG emissions associated with the construction, capital maintenance and end-of-life treatment of assets. Each project may address multiple needs and be delivered through a combination of construction, upgrade of assets, or maintenance of existing assets. Our carbon management approach aligns with the Royal Institution of Chartered Surveyors' Global professional standard, Whole life carbon assessment for the built environment (2023), including the definitions of construction and maintenance.

It is important to note that the emissions we estimate associated with construction and maintenance activities include all upstream emissions, i.e., the extraction and processing of materials, manufacturing of products, transport to site and site activities. While our reporting system does not allow us to unequivocally differentiate the embedded emissions associated with construction and maintenance, the information available enables us to allocate projects and their emissions associated to maintenance and construction activities.

Our Carbon Assessment Tool enables project teams to estimate GHG emissions according to the work type being undertaken. This is broken down into: New Assets; Upgrades to assets; Refurbishment; or Replacement.

Based on the analysis completed, we estimate that approximately 80% of our total embedded emissions associated with the construction of new assets, 13 % associated with maintenance activities and the remaining 7% associated with other embedded emissions, for example associated with studies, fleet or intangible assets.

We're engaging with both internal and external stakeholders extensively on our GHG emissions management and reporting approach. We're educating internal stakeholders on our GHG emissions management and reporting approach, as well as engaging with external stakeholders to identify elements which our methodology is aligned with other companies, as well as to identify areas of improvement in our current approach.

Throughout the year, we've delivered a number of internal lunch and learn and engagement sessions, including for example sessions with our Tier 1 supply chain, the whole internal Capital Delivery business area and the Developer Services team, and regular sessions with a community of carbon specialists. This reinforces good engagement internally with members of the organisation looking for how they can improve their operations to reduce associated emissions in everyday activities related to operations, maintenance, and minor capital works.

We're also active members of the Water UK Carbon Network, including its subgroups, as well as co-lead and chair for Capital Carbon and Supply Chain emissions subgroups which bring together experts across the sector, to share knowledge, approaches and best practices.

Working with colleagues across the sector, we've led the development of a consistent form which can be used to engage suppliers on their emissions reporting and carbon management maturity, and provide guidance for those who may not have yet started. We also continue to make sustainability an annual focus of our Supply Chain Awards, setting an expectation that our supply chain strengthens their capability to measure, manage, and eventually reduce its emissions footprint.

Regulatory Statements

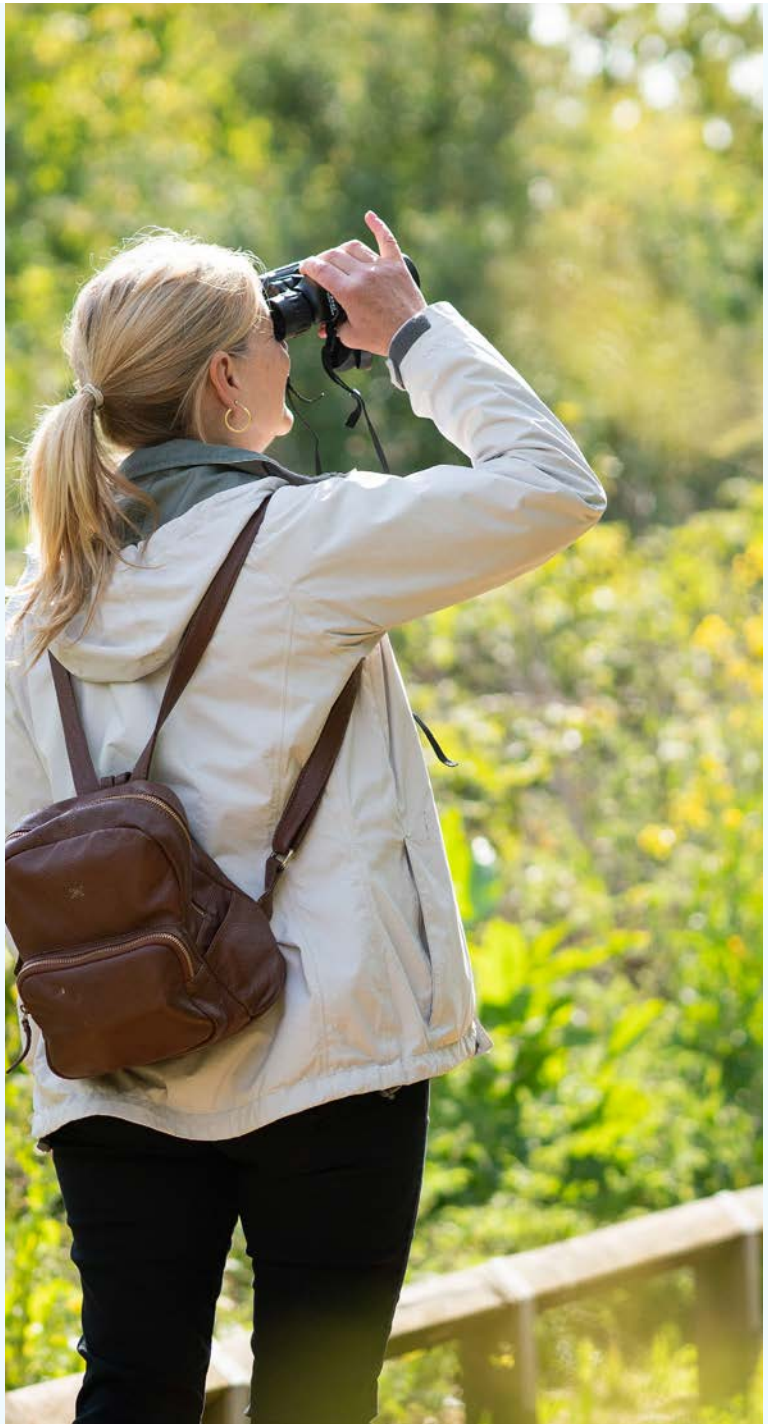
Statements: Where to find our statements and disclosures

The following section contains the statements we're required to make under the terms of our licence conditions and the statutory requirements set out in the Water Industry Act 1991.

This table tells you where you can find this information in our 2024/25 submission and provides links both within and outside this document:

Disclosure	Where it can be found	Reference
Accounting methodology summary	https://www.thameswater.co.uk/about-us/performance	RAG 3
Accounting policy note for price control units	Price control segments	RAG 3
Average time that properties experience low pressure	https://www.thameswater.co.uk/about-us/performance	IN 25/02
Excel version of APR tables on website	https://www.thameswater.co.uk/about-us/performance	IN 25/02
Open data version of APR tables on website	API Portal | Thames Water	IN 25/02
Assurance requirements for performance commitments	Adherence to assurance requirements set out in Performance Commitment definitions	IN 25/02
Audit (for financial measures) and assurance (for non-financial measures) reports	Auditors' and assurance reports, page 105 and page 167	RAG 3
Bad debt policy	Bad debt policy	RAG 3
Board leadership, transparency and governance principles - annual reporting	Risk and Compliance Statement	Principles
Blind Reconciliation reporting	Blind Reconciliation Models and Commentary https://www.thameswater.co.uk/about-us/performance	IN 25/01, IN 25/02
Board statement on accuracy and completeness of data and information	Risk and Compliance Statement	RAG 3
Capitalisation policy	Capitalisation policy	RAG 3
Common performance commitments (compliance with Ofwat's guidance)	Compliance with Ofwat guidance 2024/25 https://www.thameswater.co.uk/about-us/performance	IN 25/02
Common performance commitments (narrative)	Alphabetical index of performance commitments	RAG 3

Introduction: Where to find our statements and disclosures (continued)



Disclosure	Where it can be found	Reference
Compliance with sanctions related to the conflict in Ukraine	Compliance with sanctions related to the conflict with Ukraine	IN 22/01
Customer-focused licence statement (Condition G)	https://www.thameswater.co.uk/about-us/performance/customer-care-performance-and-improvements	RAG 3
Costs narrative disclosure	Throughout this report	RAG 3
Debt analysis	Table 1E	RAG 3
Disclosure of information to auditor	Disclosure of information to auditor	RAG 3
Dividend policy and explanations of dividends paid	Dividend policy	RAG3/ IN24/01
Executive pay and performance statement	Executive pay	RAG 3
Financial derivatives reconciliation	Table 1C	RAG 3
Financial flows reconciliation	Table 1F	RAG 3
Green economic recovery statement	Section 10	n/a
Infrastructure network reinforcement charges	Infrastructure network reinforcement charges	RAG 3
Innovation competition statement	Innovation competition	RAG 3
Interest disclosures	Breakdown of interest paid	RAG 3
Long term viability statement	Annual Report and Accounts 2024/25 https://www.thameswater.co.uk/about-us/performance	RAG 3
Open data	Our approach to open data	IN24/01

Statements: Where to find our statements and disclosures (continued)

Disclosure	Where it can be found	Reference
Outcomes narrative	Our performance	RAG 3
Protected land sales under Condition K	n/a	IN23/03
Retail narrative	Table 2C	RAG 3
Return on regulatory equity disclosures	Table 1F	RAG 3
Reporting criteria	https://www.thameswater.co.uk/about-us/performance	N/A
Revenue recognition policy	Revenue recognition policy	RAG 3
Ring-fencing certificate (Condition P)	Directors' Ring-fencing certificate	RAG 3
Risk and compliance statement	Risk and Compliance Statement	IN 24/01
Social tariffs disclosures	Table 2N and Table 4Z	RAG 3
Statement explaining out/under performance of the return on regulatory equity	Table 1F	RAG 3
Statutory and RAG definitions differences	Differences between statutory and RAG definitions Additional narrative on the statement of financial position	RAG 3
Supply demand balance and metering disclosures	Table 6D	RAG 3
Tax analysis and reconciliation	Tax reconciliation	RAG 3
Tax strategy for the appointed business	Tax strategy	RAG 3
Totex disclosures	Table 4C	RAG 3

Statements: Our approach to open data

Since H_2Open was published in 2021, we've made significant progress in our available open data, allowing us to create value and greater transparency for water customers, communities and the environment.

We have an active Thames Water Application Programme Interface ('API') portal for our stakeholders, which has been refreshed this year onto an updated platform.

We've continued our open data partnerships and written this report using open data's accessibility principles.

Since AR24, we've also developed and documented our approach to open data and established a dedicated email address for open data queries. Our Open Data Approach can be seen online.

Open data means making data freely available to everyone to access, use and share

Statements: Understanding our regulatory information tables

In addition to the Performance Commitments, our Annual Performance Report provides a comprehensive suite of financial, operational and retail information as specified by Ofwat.

The numbering of the tables gathers related information together to help you to navigate to the section of interest:

- Tables 1A-1F: regulatory financial reporting
- Tables 2A-2O: price review and other segmental reporting
- Tables 3A-3I: our performance commitments
- Tables 4A-4Z: additional regulatory information – our service level
- Tables 5A-5B: additional regulatory information – water resources
- Tables 6A-6F: additional regulatory information – water network plus
- Tables 7A-7F: additional regulatory information – wastewater network plus
- Tables 8A-8D: additional regulatory information – bioresources
- Table 9A: additional regulatory information – innovation competition
- Tables 10A-10H: additional regulatory information – green economic recovery
- Table 11A: additional regulatory information – greenhouse gas emissions

There are a small number of tables (2G, 2H, 4X, 4Y, 10F and 10H) which Ofwat does not require us to complete, because their scope is not relevant to Thames Water.

Table 6E is not currently in use for any water company.

The commentary requirements are set by Ofwat and specific to each individual table. The requested commentary will often provide additional details which are not suited to being shown in a table.

For greater clarity, we've chosen to publish tables 4A - 11A in their original template and provide links to each table from this Annual Performance Report.

All tables have been prepared in line with our regulatory guidelines and follow the principles set out in this Annual Performance Report document.

You can view these tables on our website.

Data consistency

Please note that we submit multiple versions of datasets to regulators throughout the year and the methodology or reporting criteria - timescales, adjustments, exclusions, focus point - may change across different regulators.

This may mean some of our metrics vary across different reports, but in all instances variations in calculations or figures will be explained in our supporting commentary. We consider our Annual Performance report figures to be our official company performance.

Notable measures to which this applies include the metering, leakage and per capita consumption PCs, along with wider datasets such as the WRMP and the Environmental Performance Assessment ('EPA') by the Environment Agency.

Statements: Blind Year Reconciliation

PR19 Blind Year Reconciliation Summary

As we're at the end of the current regulatory period, Ofwat require us to reconcile our forecast performance for 2024/25 with our actual performance.

The blind year process trues up differences between the forecast and actual APR25 performance through completion of a number of models specified by Ofwat to complete an in-depth reassessment of our financial data.

Some of these adjustments are made to the PR24 price controls, others to the revenue that we can recover in AMP8, while the rest are adjusted for in PR29.

Our 2024/25 blind reconciliation commentary details the explanations for significant variances. This can be seen on our website alongside our APR.

Our models have been risk assessed and where appropriate, specific procedures performed by our independent external assurance provider through an agreed upon procedures ('AUP') framework as instructed by us.

Blind year reconciliation means that Ofwat base our AMP8 pricing on a full set of AMP7 actual financial results

PR19 Blind Year Reconciliation models submitted:

1. ODI differences;
2. In-period adjustments;
3. Revenue forecasting incentive ('RFI');
4. Cost of new debt reconciliation;
5. Totex (cost sharing reconciliations);
6. Developer services revenue adjustment;
7. RPI-CPIH wedge reconciliation;
8. Water trading;
9. Residential retail reconciliation;
10. Land sales;
11. Past delivery;
12. Strategic regional water resources (two models);
13. RCV adjustments;
14. Revenue adjustments;
15. Bioresources revenue reconciliation; and
16. WINEP.

Statements: Business and pay disclosures

Appointed and non-appointed businesses

Our appointed business (an appointee) comprises the regulated activities we provide as a monopoly supplier. This includes functions and duties necessary to provide water and sewage services to our customers. This is detailed in Condition A of our licence of appointment and relates to the duties defined within the Water Industry Act 1991.

In addition to our duties as an appointed business, we also carry out certain non-appointed activities. All of these activities are conducted on an arm's length basis from the appointed business. These activities include third-party discharges to sewage treatment works and other commercial activities, including property searches and cess treatment (from private receptacles not linked to our network).

Disclosure of information to auditor

The Directors who held office at the date of approval of this report confirm that:

- So far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

Statement of Directors' Responsibilities

In addition to the requirements of Company law, our Directors are required to prepare accounting statements which comply with the requirements of Condition F of the Instrument of Appointment of the Company as a water and sewerage undertaker under the Water Industry Act 1991 and Regulatory Accounting Guidelines issued by Ofwat.

Separately our Directors are also required to comply with Condition P of the Instrument of Appointment of the Company as a water and sewerage undertaker under the Water Industry Act 1991. The purpose of this condition is to safeguard that:

- Appointed Business is conducted as if it is substantially the Appointee's sole business, and it is a public limited company separate from any other business carried out by the Appointee;
- The Appointee retains sufficient rights and assets and has in place adequate financial resources and facilities, management resources and systems of planning and internal controls;
- Any transfers or transactions entered into by the Appointee do not adversely affect the Appointee's ability to carry out the Regulated Activities; and
- The Appointee demonstrates that it is complying with the requirements of this Condition.

These responsibilities are additional to those already set out in our Annual Report and Accounts 2024/25. For further details of the additional responsibilities, please see the Ring-fencing Certificate and the Risk and Compliance Statement.

Non-Executive Directors

The Chairman and Non-Executive Directors do not participate in any performance related arrangements, known as the Performance Related Pay Plan ('PRPP'), and do not participate in the Thames Water pension plans.

Executive Directors

Executive Directors' remuneration includes a mix of fixed and variable pay comprising basic salary plus performance related incentives. Through the recently introduced PRPP, Executive Directors are eligible to receive remuneration linked to the delivery of both short-term and longer-term priorities, for all our stakeholders. As set out in section on the Directors' Remuneration Review, for 2023/24, the Company replaced its Annual Management Bonus and Long-Term Incentive Plan with the PRPP, to better reflect the balance we need to achieve in paying for delivery of short-term priorities and driving the right outcomes for all our colleagues, customers and stakeholders longer-term.

The PRPP comprises two elements: an in-year award opportunity (the 'base award'), designed to reflect colleagues' contribution to delivering in-year performance improvements and a deferred award opportunity, which is linked to the extent that contribution results in improved performance outcomes longer-term. In deciding whether any PRPP payment should be made, the Committee takes into consideration a range of important perspectives:

- Performance against the PRPP measure scorecard;
- Performance against specific outcomes, including in-year outcomes and year-on-year improvement;
- The level of Outcome Delivery Incentives penalties; and
- The need to reward delivery of, and attract and retain highly talented colleagues to execute, a complex and challenging Turnaround Plan that is critical to our ability to deliver for customers, communities and the environment.

We engaged a Chief Restructuring Officer to provide specialist advice on the complex issue of balance sheet recapitalisation and he became a Board member on 22 January 2025. He is employed by AlixPartners and accordingly is not paid any remuneration by TWUL for qualifying services.

Statements: Business and pay disclosures (continued)

Executive pay and performance

We are committed to transparent reporting within our Annual Reports as appropriate and in accordance with legal and regulatory requirements, including Ofwat's Board leadership, transparency and governance principles. This also includes a commitment to reporting any changes in policy and the underlying reasons.

Our Remuneration Committee determines our policy on remuneration of Executive Directors and Non-Executive Directors. Our Remuneration Committee Report within our Annual Report and Accounts 2024/25 provides a description of the link between Directors' pay and standards of performance (as required by section 35A of the Water Industry Act 1991) and disclosures required under Regulatory Accounting Guidelines.

Our remuneration policy makes certain that executive remuneration has a clear alignment to Thames Water's performance and long-term success, in the interests of colleagues, customers and shareholders. It is designed to be stretching and also provide sustained and long-term value creation.

The Remuneration Committee's final decision-making is also underpinned by the need to meet Ofwat's requirement that variable pay reflects performance in the round.

Statements: Dividend and tax disclosures

Dividend policy for the appointed business

It is standard practice for the Board to review all key policies, including the Company's dividend policy, on a regular basis. In accordance with this approach, the Audit, Risk and Reporting Committee ('ARRC') reviewed the Company's current dividend policy at its meeting on 31 March 2025. In conducting its review, the ARRC specifically considered whether the Company's dividend policy remains appropriate and consistent with the requirements of Condition P30 of our Instrument of Appointment (or Licence) which require that any dividends declared or paid by companies are made in accordance with dividend policies that have been approved by the Board and comply with the following principles:

- That dividends declared or paid will not impair the ability of the company to finance its business, taking account of current and future investment needs and financial resilience over the longer term;
- That dividends declared or paid take account of service delivery for customers and the environment over time, including performance levels, and other obligations; and
- That dividends declared or paid reward efficiency and the effective management of risks to the company's business.

Having completed its review, the ARRC concluded that the Company's existing dividend policy remains fully consistent with the requirements of its Licence and that no amendments were necessary. This conclusion was approved by the Board at its meeting on 2 April 2025.

Dividend policy

The Company's overall objective is to pay a progressive dividend commensurate with the long-term returns and performance of the business,after considering the business' current and expected legal, regulatory and financial performance, regulatory restrictions (such as those set out in its Instrument of Appointment), management of economic risks and debt covenants.

In assessing the dividend to be paid, the Directors are required to seek to ensure that:

- Payment of a proposed dividend rewards efficiency and the effective management of risks;
- Payment of a proposed dividend should not impair the Company's current or short-term liquidity or compliance with the Company's covenants;
- Payment of a proposed dividend should not impair the company's longer-term ability to finance the Company's business including access to both debt and equity capital, and therefore must also take account of future investment needs and financial resilience;
- An assessment is made to determine if the payment of a dividend reflects the Company's performance against the relevant price review Final Determination and its commitments to customers and other stakeholders therein; and
- An assessment is made of the impact that payment of the dividend may have on the Company's commitments and obligations, and in turn also its overall performance levels, including service delivery to customers, environmental commitments, community commitments, and its commitments and obligations to employees and pension members.

Dividends declared in 2024/25

The Company takes its commitments and obligations to customers and other stakeholders (including the environment, communities, employees and pension members) as a supplier of essential services very seriously.

Following credit rating downgrades by Moody's and Standard and Poor's in April 2024, which occurred following the announcement that the £500 million of new equity that had been anticipated by 31 March 2024 would not be provided, the Company is now operating under a cash lock-up in accordance with the terms of its Licence. This restricts certain payments to associated companies, including dividends, without the prior approval of Ofwat. As such, no dividends were declared in 2024/25 and the dividend yield was therefore 0%.

Tax strategy

Our aim is to be clear and transparent over our approach to tax and our tax profile so that we're a responsible business. Our tax strategy is straightforward and underpinned by five key principles, which are unchanged from the previous year:

We comply with all tax legislation at all times, both within the letter and spirit of the law. We;

- Do not use tax avoidance schemes or aggressive tax planning;
- Engage fully and transparently with HMRC and other Governmental bodies, and seek to resolve disputes in a co-operative manner;
- Adopt a conservative approach to tax risk management and apply a strong tax governance framework; and
- Accept only a low level of risk in relation to taxation.

You can find more detail on our tax strategy on our website.

Statements: Additional financial disclosures

Long-term viability statement

The assessment of our long-term viability can be found in our Annual Report and Accounts 2024/25. The Directors have conducted this assessment over a five-year period to 31 March 2030, taking into account the Company's current position as well as material uncertainties arising from its ongoing financial restructuring and recapitalisation plans.

The Directors have concluded that, subject to a resolution of the material uncertainty of a successful recapitalisation by way of RP2, it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year assessment period to 31 March 2030.

Innovation competition

Ofwat require us to collect additional contributions from customers relating to an established industry wide innovation fund as disclosed in our Table 9A.

In the Annual Report and Accounts 2024/25, we've provided for the full value of funding we have collected from customers – recognising that we have an obligation to either deliver projects to this value or compensate other companies which win competition funding. In the Annual Performance Report, these provisions are excluded in line with direction from Ofwat.

The funding we've collected has been ring-fenced within our accounting records and will only be used to deliver innovation competition projects; it will not fund business as usual activities or spend.

The total amount collected to date is £40.079 million, out of which we have paid out £27.114 million to MOSL. We've received funding from MOSL of £15.392 million during 2024/25. We've spent £3.205million in 2024/25. The total amount held in Table 1C Line 11 cash balance relating to the innovation fund is £18.127million.

Transfer of assets by or to the appointee

Under our licence, we're obligated to adopt assets constructed under self-lay by third parties at nil cost to TWUL. This totalled £109.1 million in the year (2024: £108.8 million).

There were no transfers of assets out of the Company in excess of the materiality limit (2024: No material transfers).

Guarantees or other forms of security by the appointee

The Company is party to a number of financial guarantee contracts for the purposes of its principal activities. These arrangements include:

- The Whole Business Securitisation ('WBS'), where Thames Water Utilities Holdings Limited ('TWUHL') guarantees the obligations of Thames Water Utilities Finance plc ('TWUF') and the Company; and TWUF and the Company guarantee the obligations of each other; and
- The Company and TWUHL guarantee the borrowings of their subsidiary Thames Water Super Senior Issuer plc ('TWSSI').

Infrastructure network reinforcement charges

The Network Reinforcement variance has reduced to £11.6 million in 2024/25, as expenditure in network reinforcement exceeded amounts collected in infrastructure charges by £9.4 million. Total network reinforcement expenditure has increased by £23.9 million from amounts reported in 2023/24 due to ramp up in schemes delivered and inclusion of opex related expenditure within this calculation. For 2025/26, our infrastructure charge prices have been set in reference to our Final Determination.

Borrowings and loans

All borrowings from our wholly owned subsidiaries are disclosed in note 42 of our Annual Report and Accounts 2024/25. All loans to our wholly owned subsidiaries are disclosed in note 38 of the Annual Report and Accounts.

Omissions of rights

There were no omissions of rights during the year (2024: none).

Waiver of any consideration, remuneration or other payment by the appointee

There were no waivers of any consideration, remuneration or other payments by the appointee during the year (2024: none).

Consolidated results

In completing all tables, we have included all debt relevant to the regulated company. Figures therefore include Thames Water Utilities Limited ('TWUL') and its direct 100% owned financing subsidiaries Thames Water Utilities Finance plc ('TWUF') and Thames Water Super Senior Issuer plc ('TWSSI').

Transactions with associates and the non-appointed business

We have disclosed transactions with both associated companies and our non-appointed business in accordance with the guidance provided in RAG 5.07.

Although our appointed business applies International Financial Reporting Standards ('IFRS'), an associated company for the purposes of this disclosure is any company within the Group (the companies headed by Kemble Water Holdings Limited, the ultimate parent company) or a related company as defined by Financial Reporting Standard 102.

Statements: Additional financial disclosures (continued)

This year's disclosures as follows:

- During the year there were no single contracts in excess of 0.5% (£13.1 million) of the Company's appointed income with any subsidiary of the Kemble Group of companies or related companies;
- The Company has also chosen to voluntarily disclose all transactions with companies for which there is a common Director. The Directors of the Company and their connection to other Group companies are shown in the Directors' interest table;
- The dividend declared during 2024/25 to the parent company Thames Water Utilities Holdings Limited was £nil (£195.8 million in 2023/24); and
- Thames Water Utilities Limited has committed to covering the parent company Thames Water Utilities Holdings Limited expenses as they fall due. In line with RAG 4.13 guidance, these costs are deemed disallowable and have been removed from customer cost sharing in Table 4C.

Statements: Additional financial disclosures (continued)

Services provided to the Company by associated companies

Associate Company	Company principal activity	Service Provided	Turnover during 2024/25 in £'000	Terms of supply 2024/25	Value (£'000)
Thames Water Pension Trustees Limited	Pension Trustees	Support services	2,219.9	Recharged at cost	(23.1)
Thames Water Property Services Limited	Property Company	Payroll costs	129.3	Recharged at cost	(117.8)
Trinzic Operations Limited	Shared Management Service	Repayment cost	174.3	Recharged at cost	(44.4)
Kennet Properties Limited	Property Company	Repayment cost	2,005.3	Recharged at cost	(8.7)
Thames Water Utilities Holdings Limited	Holding Company	Group relief	-	Recharged at cost	(16,641.0)
Total value in £'000					(16,835.0)

Payments to companies with common Directors

Company	Service Provided	Common Director	Terms of supply 2024/25	Value (£'000)
AlixPartners UK LLP	Third Party Services	Julian Gething	Negotiated	16,343.3
Cadent Gas Limited	Connections & Third Party Damages	David Xie	Negotiated	31.9
SGN Commercial Services Limited	Liquid and Gas Distribution Services	Michael McNicholas	Negotiated	5,839.1
Southern Gas Networks plc	Third Party Damages	Michael McNicholas	Negotiated	10.2
Water UK Limited	Memberships and Subscriptions	Chris Weston	Mandatory fee	719.8
Total value in £'000				22,944.3

Note that the above table includes non-TWUL Directors. Independent Non-Executive Directors are not deemed to exercise control and as such, they have not been included in the above analysis.

Statements: Additional financial disclosures (continued)

Services provided by the Company and recharged to associated companies

Associate Company	Company principal activity	Service Provided	Turnover during 2024/25 in £'000	Terms of supply 2024/25	Value (£'000)
Kemble Water Holdings Limited	Holding Company	Financial Control, Treasury, Company Secretary and Tax support services	-	Actual costs recharged (plus margin*)	76.7
Kemble Water Holdings Limited	Holding Company	Payroll Costs	-	Recharged at cost	626.2
Kemble Water Eurobond plc	Holding Company	Financial Control, Treasury, Company Secretary and Tax support services	-	Actual costs recharged (plus margin*)	8.8
Kemble Water Finance Limited	Holding Company	Financial Control, Treasury, Company Secretary and Tax support services	-	Actual costs recharged (plus margin*)	58.7
Kemble Water Finance Limited	Holding Company	Payroll Costs	-	Recharged at cost	343.3
Thames Water Limited	Holding Company	Financial Control, Treasury, Company Secretary and Tax support services	-	Actual costs recharged (plus margin*)	137.1
Thames Water Limited	Holding Company	Payroll Costs	-	Recharged at cost	649.9
Thames Water (Kemble) Finance plc	Holding Company	Financial Control, Treasury, Company Secretary and Tax support services	-	Actual costs recharged (plus margin*)	343.3
Thames Water Utilities Holdings Limited	Holding Company	Financial Control, Treasury, Company Secretary and Tax support services	-	Actual costs recharged (plus margin*)	19.1
Thames Water Utilities Holdings Limited	Holding Company	Intercompany Loan	-	Negotiated	1,389,489.8
Thames Water Utilities Holdings Limited	Holding Company	Intercompany Interest	-	Negotiated based on market data	69,941.8
Kennet Properties Limited	Property Company	Payroll Costs	2,005.3	Recharged at cost	107.3
Kennet Properties Limited	Property Company	Third party costs	2,005.3	Recharged at cost	112.6
Trinzic Operations Limited	Shared Management Services	Financial Control, Treasury, Company Secretary and Tax support services	174.3	Actual costs recharged (plus margin*)	14.9
Trinzic Connected Limited	Shared Management Services	Third party costs	986.2	Recharged at cost	5.2
Total value in £'000					1,461,934.7

*Margin is applied for services delivered by Thames Water Utilities Limited, no margin applied to costs which are purely a pass-through.

Statements: Additional financial disclosures (continued)

Directorships held in Group Companies

Director	Thames Water Utilities Limited	Thames Water Utilities Holdings Limited	Thames Water Utilities Finance plc	Thames Water Super Senior Issuer plc
Sir Adrian Montague	✓	✓	A - 22/05/2024	A - 25/02/2025
Chris Weston	✓	A - 18/06/2024	A - 22/05/2024	A - 25/02/2025
Steve Buck	A - 07/04/2025			
Catherine Lynn	✓			
Ian Pearson	✓	A - 18/06/2024	A - 22/05/2024	A - 25/02/2025
Nick Land	✓	A - 18/06/2024	A - 22/05/2024	A - 25/02/2025
Aidan de Brunner	A - 01/09/2024	A - 14/11/2024	A - 14/11/2024	A - 25/02/2025
Neil Robson	A - 02/10/2024	A - 14/11/2024	A - 14/11/2024	A - 25/02/2025
Julian Gething	A - 22/01/2025	A - 22/01/2025	A - 22/01/2025	A - 25/02/2025
Nirmal Kotecha	A - 28/03/2025			
Adam Banks	A - 28/03/2025			
Andrew McNaughton	A - 28/03/2025			
Michael McNicholas	R - 16/05/2024			
Jill Shedden	R - 30/09/2024			
John Holland-Kaye	R - 31/12/2024			
Hannah Nixon	R - 03/03/2025			
Alastair Cochran	R - 27/03/2025			

Key: A – appointed, R – resigned

Statements: Adherence to assurance requirements set out in Performance Commitment definitions

Our Final Determination details where we must obtain assurance so that we meet the requirements associated with certain of our PCs. Our PCs are assured through a mixture of internal and external assurance, however where this assurance is provided by an independent auditor it is in the following form:

Independent limited assurance using the International Standard on Assurance Engagements ('ISAE') 3000 auditing standard

This requires the independent auditor to perform detailed assurance procedures on the evidence that they obtain and form an opinion. The 2024/25 assurance opinion issued by the independent auditor states that "Based on the procedures we have performed, as described under the 'Summary of work performed' and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject Matter Information in Thames Water's Report for the year ended 31 March 2025, has not been prepared, in all material respects, in accordance with the Reporting Criteria.

Agreed-Upon-Procedures ('AUP') using the International Standard on Related Services 4400 (Revised) Agreed-Upon-Procedures Engagements standard

This requires the independent auditor to execute agreed upon procedures that we have instructed them to perform on the evidence that they obtain and communicate the results of those test procedures to us for further review and consideration. As a result of the performance of this activity we consider the PCs to be assured should no findings be noted (or where any noted findings have been corrected) in the independent auditor's factual findings report. We define the AUPs to be performed by the independent auditor and these include confirmation that the defined methodology has been used to calculate the PC/ data line and that this is reflective of Ofwat's requirements in the Final Determination.

In some cases, the procedures require the re-performance of calculations that underpinned the PC and/or non-financial data line/metric and the tracing of data back to source.

Where Ofwat queried the nature of our assurance as part of the APR 2023/24 queries process, we've included a summary of the work undertaken by the independent third party.

The table below provides full details of the assurance obtained for the in-scope PCs:

PC	Assurance activities performed for 2024/25
Smarter water catchments EWS02	ISRS 4400 (Revised), Agreed-Upon Procedures ('AUP') We instructed an independent auditor for the three smarter water catchments (Chess, Crane and Evenlode) to inspect the following: - email communication provided by us to confirm that all stakeholders in the catchment areas had been approached to be engaged in the partnership; - the smarter water catchment plan and smarter water catchment approach to confirm what the partners were published for the given smarter water catchment; and - the smarter water catchment steering meeting minutes to confirm a smarter water catchment progress update was performed in the reporting year. We also requested that they inspected the following: - for a sample of partners for each of the three smarter water catchments (Chess, Crane and Evenlode), haphazardly selected from the list of partners for the given catchment provided by us, inspected email communication to confirm a letter of support was provided by the partner; and - for a sample of milestones for each of the two smarter water catchments (Chess and Crane), haphazardly selected from the Programme workbook provided by us, inspected underlying milestone documents to confirm the given milestone was completed. It should be noted that for the Evenlode catchment area, not all milestones were completed. As a result of the performance of the procedures we instructed them to perform, the independent auditor did not identify any findings.
Counters Creek CC	This PC does not have a target this year. However, we published our full report on its understanding of the risk in July 2023. The third party assurance completed can be found here.
Proactive customer engagement AWS02	We're not able to calculate the NPS due to systems changes, therefore the third-party assurance over this calculation is not appropriate.

Statements: Adherence to assurance requirements (continued)

PC	Assurance activities performed for 2024/25
Surface water management DS02	ISRS 4400 (Revised), Agreed-Upon Procedures (AUP) We instructed an independent auditor to perform procedures in relation to the number of hectares disconnected from the combined sewer system or from which the flow of surface water is attenuated by a sustainable drainage system. These procedures included for a sample of surface water management projects haphazardly selected from a list of approved projects, inspecting the following: - notifications for completion of capital works, and site handover documents to confirm the completion date matched the approved projects tracker; and - BenF Forms to confirm that completion has been signed off and that the completion date matched the approved projects tracker. The above procedures assist in supporting that best practice has been incorporated in delivering surface water management solutions through the relevant protocols followed. As a result of the performance of the procedures we instructed them to perform, the independent auditor did not identify any findings.
Renewable energy produced EWS03	ISRS 4400 (Revised), Agreed-Upon Procedures (AUP) We instructed an independent auditor to confirm for a sample of a combination of sites and months, haphazardly selected across the various renewable sources (heat, solar, electricity and biomethane), that the invoicing data in Optima matched the relevant energy figures for that associated month. In addition, we instructed them to reperform our calculation of the renewable energy produced within the Renewable Energy workbook provided by us to confirm that the recalculated value matches our reported figure. We also provided them with a master list of meters used for renewable purposes, and instructed them to confirm that for a sample of meters, the conformity certification of use meets the Elexon CoP4 standard. As a result of the performance of the procedures we instructed them to perform, the independent auditor did not identify any findings.
Power resilience DWS01	ISRS 4400 (Revised), Agreed-Upon Procedures (AUP) Due to a wider business reprioritisation, only 11% of the programme has been delivered. However, we instructed an independent auditor to confirm that for a sample of power resilient sites haphazardly selected from a listing of power resilient sites provided by us, that the power resilient site(s) had been appropriately classified through inspection of Gateway presentations, Gateway summary slides, BenF forms, technical approval emails and/or Take Over Certificates. This supports the evidence of delivery completion for key power dependent sites being made resilient to power disturbances or interruptions over three hours from the distribution network operators. As a result of the performance of the procedures we instructed them to perform, the independent auditor did not identify any findings.

Statements: Adherence to assurance requirements (continued)

PC	Assurance activities performed for 2024/25
Enhancing Biodiversity EWS01	ISRS 4400 (Revised), Agreed-Upon Procedures (AUP) Due to business reprioritisation, our performance hasn't changed from last year. Therefore, no procedures were performed as the independent auditor was unable to obtain any new evidence.
Readiness to receive tunnel flow at Beckton STW ET01	ISRS 4400 (Revised), Agreed-Upon Procedures (AUP) Whilst an independent auditor assessment is not a requirement, we instructed an independent auditor to perform procedures for this performance commitment as due diligence for completion of the major project and the end of the AMP. These procedures included: - for the singular item reported in the year, inspected the handover certification provided by management to confirm whether the reported metric accurately reflected the certification date; and - reperformed our calculation of the number of months delay within the relevant SharePoint documentation provided by us to confirm that the recalculated number of months agreed to the reported value. As a result of the performance of the procedures we instructed them to perform, the independent auditor did not identify any findings.
Critical asset readiness for the London Tideway Tunnels ET04	ISRS 4400 (Revised), Agreed-Upon Procedures (AUP) We instructed an independent auditor to perform procedures in relation to the number of full months in the reporting year, that readiness of critical assets is reported as 'insufficient readiness', after the System Commissioning Commencement Date ('SCCD'), with the first month running from the day after the SCCD. These procedures included: - for the singular item reported in the year, inspected the handover certification provided by management to confirm whether the reported metric accurately reflected the certification date; and - reperformed our calculation of the number of months delivered within the relevant SharePoint documentation provided by us to confirm that the recalculated number of months agreed to the reported value. As a result of the performance of the procedures we instructed them to perform, the independent auditor did not identify any findings.

Statements: Adherence to assurance requirements (continued)

PC	Assurance activities performed for 2024/25
Maximising the value of Tideway project land sales ET06	ISRS 4400 (Revised), Agreed-Upon Procedures (AUP) We instructed an independent auditor to perform procedures in relation to the total net profit or loss made on the actual sale of any of the 12 plots related to the Thames Tideway Tunnel project that were scheduled to be sold in the 2020-25 period. These procedures included: - For the only sale in the reporting year selected from the list of sales provided by us, inspected the underlying sales documents to confirm that the sales information (sales value and base value) matched the information in the list of sales; and - Reperformed our calculation of the profit on disposal as noted in the relevant Sharepoint documentation provided by us to confirm that the recalculated profit agreed to the reported value. As a result of the performance of the procedures we instructed them to perform, the independent auditor did not identify any findings.
Managing early handback of Tideway project land ET07	ISRS 4400 (Revised), Agreed-Upon Procedures (AUP) Whilst an independent auditor assessment is not a requirement, we instructed an independent auditor to perform procedures for this performance commitment as due diligence for completion of the major project and the end of the AMP. These procedures included: - For a sample of plot sales, haphazardly selected from the list of plot sales provided by us, inspected the underlying sales documents to confirm that the date of sale matched the date in the list of plot sales; and - Reperformed our calculation of the number of months within the workbook provided by management to confirm that the recalculated number of months for land handback agreed to the reported value. As a result of the performance of the procedures we instructed them to perform, the independent auditor did not identify any findings.
Unregistered household properties ER01	ISRS 4400 (Revised), Agreed-Upon Procedures (AUP) We instructed an independent auditor to confirm that for a sample of gap sites, haphazardly selected from listing of potential gap sites provided by us, inspected the screenshots of investigations in SAP to confirm that a site visit had taken place and further steps were taken to bring the property into charge. Additionally, to confirm the completion of any given activity we instructed them to inspect the unregistered household workbook to confirm whether acquisition of external data was performed for the unregistered property and to confirm that an external provider used minimum of three data sources to identify unregistered household property. As a result of the performance of the procedures we instructed them to perform, the independent auditor did not identify any findings.

Statements: Adherence to assurance requirements (continued)

PC	Assurance activities performed for 2024/25
Empty Business Properties EWS08	ISRS 4400 (Revised), Agreed-Upon Procedures (AUP) We instructed an independent auditor to perform procedures over March 2025 ODI claim spreadsheet provided by us, which listed all business properties qualifying for the performance commitment, including the appropriate filters that were used to determine the relevant date. These procedures included: - For a sample of empty business properties, haphazardly selected from the final submission listing of empty business properties provided by us, confirmed that the empty business property information (transaction date, site visit date, occupancy effective date and vacant from date) per CMOS screenshots, email to retailer and site visit images agreed to the empty business property information as per the final submission listing of empty business properties; and - Reperformed our calculation of the number of empty business properties within the final submission listing (applying the necessary filters) to confirm that the recalculated number of empty business properties agreed to the reported value. As a result of the performance of the procedures we instructed them to perform, the independent auditor did not identify any findings.
WINEP ES02	The company secures confirmation from the EA that performance has been correctly reported.
Delivery of WINEP requirements NEP01	This PC follows the same assurance process as for ES02.
SEMD DWS02/DWS03	This PC has been externally assured as part of the annual SEMD submission to DEFRA by an SEMD approved certifier.

Independent Limited Assurance Report to the Directors of Thames Water Utilities Limited on Selected Performance Commitments

Our limited assurance conclusion

Based on the procedures we have performed, as described under the “Summary of work performed”’ and the “Areas of Assurance Focus” sections below, and the evidence we have obtained, nothing has come to our attention that causes us to believe that the information marked with the symbol Ⓐ in Thames Water Utilities Limited’s (“TWUL”) Annual Performance Report for the year ended 31 March 2025 (the “Report”) and summarised below (together, the “Subject Matter Information”), has not been prepared, in all material respects, in accordance with TWUL’s Reporting Criteria (the “Reporting Criteria”) set out in the ‘What we were engaged to assure’ section below.

What we were engaged to assure

The Subject Matter Information needs to be read and understood together with the Reporting Criteria which TWUL’s Directors are solely responsible for selecting and applying. The Subject Matter Information and the Reporting Criteria are as set out in the table below:

Performance Commitment	Ref	RAG 4 Ref	Unit	Actual Performance Level	Reporting Criteria
Water supply interruptions	BW03	3A.2	Length of time our customers don’t have water (in hh:mm:ss)	00:09:35	https://www.thameswater.co.uk/about-us/performance[1]
Leakage	BW04	3A.3	% reduction in leakage using a 3-year average from the 2019/20 baseline	13.2	
Per capita consumption	BW05	3A.4	Three-year average % reduction in the average water usage of household customers	4.8	
Mains repairs	BW01	3A.5	Number of repairs we have made to the network per 1,000 kms of mains	146.4	
Internal sewer flooding	CS03	3B.1	Number of internal sewer flooding incidents per 10,000 sewer connections	1.83	

[1] The maintenance and integrity of TWUL’s website is the responsibility of the Directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Subject Matter Information or Reporting Criteria when presented on TWUL’s website.

Statements: Independent Limited Assurance Report (continued)

The scope of our work did not extend to information in respect of earlier periods or to any other information included in, or linked from, the Report.

Our work

Professional standards applied

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board.

Our independence and quality control

We have complied with the Institute of Chartered Accountants in England and Wales Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, that are at least as demanding as the applicable provisions of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code).

We apply International Standard on Quality Management (UK) 1 and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of work performed

We performed a limited assurance engagement. Because the level of assurance obtained in a limited assurance can vary, we give more detail about the procedures performed, so that the intended users of the Subject Matter Information can understand the nature, timing and extent of procedures we performed as context for our conclusion. These procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

In performing our assurance procedures, which were based on our professional judgement, we performed the following:

- evaluated the suitability in the circumstances of TWUL's use of the Reporting Criteria as the basis for preparing the Subject Matter Information including the associated reporting boundaries;
- considered the Subject Matter Information and the Reporting Criteria in the context of Ofwat's PR19 Final Determination and other reporting guidance relevant to the Subject Matter Information;
- through inquiries, obtained an understanding of TWUL's control environment, processes and systems relevant to the preparation of the Subject Matter Information. Our procedures did not include evaluating the suitability of design, obtaining evidence about their implementation or testing operating effectiveness of particular control activities;
- evaluated whether TWUL's methods for developing estimates are appropriate and had been consistently applied, noting that our procedures did not involve testing the data on which the estimates are based or separately developing our own estimates against which to evaluate TWUL's estimates;
- compared year on year movements and obtained explanations from management for significant differences we identified;
- performed limited substantive testing of the Subject Matter Information. Testing involved agreeing arithmetical accuracy of calculations, and agreeing data points to or from source information to check that the underlying subject matter had been appropriately evaluated or measured, recorded, collated and reported;
- recalculated the performance level of the Subject Matter Information against the Reporting Criteria and compared to the Ofwat targets and deadbands;
- made enquiries of relevant company management, personnel and third parties;
- considered significant estimates and judgements made by management in the preparation of the selected information; and
- evaluated the disclosures in, and overall presentation of, the Subject Matter Information.

Statements: Independent Limited Assurance Report (continued)

Specifically, but without limitation, the scope of our assurance did not extend to certain underlying data inputs into key systems and/or models where they are derived from scientific or mechanical data sources or where they come from generally accepted industry standard data.

Materiality

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the Subject Matter Information is likely to arise. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our procedures in support of our conclusion. We believe that it is important that the intended users have the information they need to understand the concept and the level of materiality to place our conclusion in context. Based on our professional judgement, we determined materiality for the Subject Matter Information as follows:

Overall materiality	Materiality may differ depending upon the nature of the Subject Matter Information. We apply professional judgement to consider the most appropriate materiality benchmark for each aspect of the Subject Matter Information, having considered how the intended users may use the information. The benchmark approach for each aspect of the Subject Matter Information is indicated in the table by one of the following numbers: • Water supply interruptions - BW03[1] • Leakage - BW04[3] • Per capita consumption - BW05[3] • Mains repairs - BW01[2] • Internal sewer flooding - CS03[2] [1] This metric is an absolute number. A benchmark materiality of 5% has been applied. [2] This metric is a rate. A benchmark materiality of 5% has been applied to the reported metric. [3] This metric is a percentage. A benchmark materiality of 5% has been applied to both the numerator and denominator used in the percentage calculation.

We also agreed to report to the Directors misstatements ("reportable misstatements") identified during our work at a level below overall materiality, as well as misstatements below that lower level that in our view warranted reporting for qualitative reasons. The Directors are responsible for deciding whether adjustments should be made to the Subject Matter Information in respect of those items.

Areas of Assurance Focus

The Areas of Assurance Focus are those areas of our work that, in our professional judgement, require additional procedures. In the case of limited assurance, that means our procedures may be towards the upper end of those that might be expected for limited assurance. These areas were identified as part of our risk assessment and result of the assurance procedures performed, and include those areas of significant risk, areas that involved significant judgement or other areas where significant assurance effort was needed. This approach provides transparency about where we deemed it necessary to perform extra work. However, this does not imply - for limited assurance - the same level of assurance as would have been obtained under a reasonable assurance engagement.

Statements: Independent Limited Assurance Report (continued)

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We considered the following area to be an Area of Assurance Focus and discussed this with TWUL's management:

Leakage (BW04)	
Nature of the issue	The calculation and reporting of performance in relation to the Leakage performance commitment is inherently complex and requires TWUL to follow detailed methodology and guidance outlined by Ofwat. As part of the calculation processes, TWUL validate and apply a number of assumptions, source and validate historical data sets, perform estimates and utilise complex spreadsheets and models. For more background, definitions and details behind the Leakage metric, please refer to TWUL's Reporting Criteria: https://www.thameswater.co.uk/about-us/performance
How our work addressed the areas of assurance focus	By performing a detailed walkthrough of the end-to-end process, we validated the methodology followed by TWUL used to calculate the components of Leakage that contributed to the Water Balance and confirmed that it was in line with the Ofwat Leakage Reporting Guidance. Where changes had occurred during the reporting period or where there were deviations from the Ofwat Leakage Reporting Guidance, we assessed their reasonableness, and confirmed that the reporting criteria remained appropriate and was followed by TWUL for their leakage calculations. Certain elements within the leakage calculation are inherently more complex, such as the legitimate night use model and its associated inputs, in addition to distribution input and certain inputs that derive the water balance. Our work over these areas is set out below: • Performed limited substantive testing over Leakage estimation due to household night use: o Reconciled the billed households night use data taken from the total final Water Balance information through to the Leakage Calculator, Netbase Properties workbook and the Legitimate Night Use ("LNU") model. o For a limited number of meters across bulk metered areas, traced household night use and average daily water consumption data to the Netbase data source. o Reperformed the calculations for billed households night use to assess mathematical accuracy. • Performed limited substantive testing over inputs into TWUL's LNU model with respect to Weather, Seasonality and Ramadan factors: o For a limited number of items, traced the weather data per the model to weather data per an external third party data source (Meteo). o Verified that the average Ramadan fasting days in each week of FY25, per the LNU Model are reasonable. o Assessed the reasonableness of the garden water usage scaling factor within the LNU model by adjusting the sensitivity of the scaling factor to assess the impact of the change on household night use. o Assessed the reasonableness of the application of the Seasonality and Ramadan factors within the LNU model by inspecting historic Ramadan trends and seasonal weather data from Meteo to determine expected trends.

Statements: Independent Limited Assurance Report (continued)

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Leakage (BW04)	
	• Performed limited substantive testing over the LNU model including: o Inspected management's model which is maintained in excel to ensure the accuracy of calculations made and consistency of formulae applied throughout key input and summary tabs. o Inspected a list of assumptions influencing the LNU model in order to assess the reasonableness of the assumptions included. • Performed limited substantive testing over the distribution input ("DI") component of water supply to the distribution network from TWUL's water treatment works: o For a limited number of sites and days, traced the daily flow values to the source meter flow data. o Traced the total distribution input figures from the DI regulatory spreadsheet to the SCADA and PI telemetry data sources. o Inspected the adjustments made to the Water in Supply to determine the final distribution input figure and assessed the basis and reasonableness of any adjustments. o For a limited number of meters and sites, traced calibration data to third party certification to evidence conformity to standards. • Performed limited substantive testing over the determination of the properties, population and occupancy figures used in the Water Balance calculation: o Reconciled the total population from the final Water Balance figures through to the underlying calculations within the supporting data source spreadsheets. o Assess the reasonableness of the FY25 Experian average occupancy figures used by Thames Water by comparing this to the average occupancy figures projected/forecast by Thames Water set in FY19. o For a limited number of individual properties, validated the occupancy status of the property data back to invoices and the SAP billing system.
Element(s) of the Subject Matter Information most significantly impacted	Leakage (BW04): measured as the % reduction in leakage using a three-year average from the 2019/20 baseline, between the period from 1 April 2024 to 31 March 2025.

Statements: Independent Limited Assurance Report (continued)

Challenges of non-financial information

The absence of a significant body of established practice upon which to draw to evaluate and measure non-financial information allows for different, but acceptable, evaluation and measurement techniques that can affect comparability between entities, and over time.

Non-financial information is subject to more inherent limitations than financial information, given the characteristics of the underlying subject matter and the methods used for measuring or evaluating it. The precision of different measurement techniques may also vary.

Reporting on Other Information

The other information comprises all of the information in the Report other than the Subject Matter Information and our assurance report. The Directors are responsible for the other information. As explained above, our conclusion does not extend to the other information and, accordingly, we do not express any form of assurance thereon. In connection with our assurance of the Subject Matter Information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the Subject Matter Information or our knowledge obtained during the assurance engagement, or otherwise appears to contain a material misstatement of fact. If we identify an apparent material inconsistency or material misstatement of fact, we are required to perform procedures to conclude whether there is a material misstatement of the Subject Matter Information or a material misstatement of the other information, and to take appropriate actions in the circumstances.

Responsibilities of the Directors

The Directors of TWUL are responsible for:

- determining appropriate reporting topics and selecting or establishing suitable criteria for measuring or evaluating the underlying subject matter;
- ensuring that those criteria are relevant and appropriate to TWUL and the intended users of the Report;
- the preparation of the Subject Matter Information in accordance with the Reporting Criteria including designing, implementing and maintaining systems, processes and internal controls over the evaluation or measurement of the underlying subject matter to result in Subject Matter Information that is free from material misstatement, whether due to fraud or error;
- documenting and retaining underlying data and records to support the Subject Matter Information;
- producing the Report that provides a balanced reflection of TWUL’s performance in this area and discloses, with supporting rationale, matters relevant to the intended users of the Report; and
- producing a statement of Directors’ responsibility.

Statements: Independent Limited Assurance Report (continued)

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Subject Matter Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of TWUL.

Use of our report

Our report, including our conclusion, has been prepared solely for the Directors of TWUL in accordance with the agreement between us dated 11 March 2025 and the associated variation letter dated 27 June 2025 (the "agreement"). To the fullest extent permitted by law, we do not accept or assume responsibility or liability to anyone other than the Board of Directors and TWUL for our work or our report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP

Chartered Accountants

Watford

15 July 2025

Statements: Customer Care (Condition G)

Last year, we published a performance statement on our website setting out our performance against Licence Condition G principles for the period April 2023 to March 2024.

This statement sets out our performance against the five key principles and improvements we planned to make. We are currently finalising a performance update for April 2024 to March 2025 and will be republishing this statement by Summer 2025.

In addition to compliance with the key principles, we've also reviewed customer guidance and made improvements, such as improving our PSR 'welcome letters' so customers receive a personalised letter confirming their circumstances, confirmation of services they are registered for and setting out support we will be providing during an incident.

We've recently published our vulnerability strategy for household customers. This strategy sets out our five-year plan for improving support to those who require extra help.

Statements: Compliance with sanctions against Russia and Belarus related to the conflict with Ukraine

Thames Water recognises the increasing extent and reach of sanction legislation following the Russian invasion of Ukraine.

As such, we have processes in place to deal with UK sanctions and to carry out a range of targeted and proportionate due diligence in relation to counterparties where this is necessary.

Following the imposition of sanction legislation, we obtained advice from our legal advisers on the steps that need to be taken to comply with these sanctions, both from a supply chain and customer perspective.

This advice has been circulated to the appropriate senior managers around the business and is being acted upon.

Assurance work around compliance has also been carried out. This confirmed initial sanctions screening had been completed across the business including for new appointments and variations ('NAVs'), non-household ('NHH') retailers, and for our suppliers.

Statements: Risk and Compliance Statement

Introduction

This statement sets out the processes that are in place to demonstrate to our customers, Ofwat and to other stakeholders, our compliance with relevant legal and regulatory obligations, where Ofwat is the relevant enforcement authority. The statement has been produced having regard to Ofwat's Risk and Compliance Statement guidance (issued in 2015) and IN25/02 in which Ofwat sets out its expectations for monopoly company APR reporting in 2024/25. The obligations pertinent to our functions as a statutory water and sewerage undertaker are primarily set out in the Water Industry Act 1991 ('WIA91') and our Instrument of Appointment – commonly referred to as our "Licence".

Our approach to compliance with our legal and regulatory obligations is based on establishing and maintaining robust governance, risk management and systems of internal control. The processes that we have in place to understand and meet our customers' expectations; achieve compliance with our obligations and report accurately on our performance are described below. We also set out material exceptions and provide a Board Assurance Statement at the end of this statement.

1. Understanding and meeting our customers' expectations

We need to understand and respond to our customers' expectations in both our day-to-day operations and long-term plans. Our programme of customer engagement is led by our Retail Director and overseen by the Customer Service Committee and, for our long-term planning, the Regulatory Strategy Committee (both sub-committees of our Board).

To understand our customers' expectations, we gather insights into their wants, needs and behaviours. This includes surveys on brand perception and service satisfaction, as well as bespoke research into specific topics, analysis of complaints and listening to social media.

We also work with our Customer Challenge Group ('CCG') and the Consumer Council for Water ('CCW') to better understand the needs of our customers.

Customers' overarching expectations are that we should provide:

- A water and wastewater service that works today and in the future;
- Fair and affordable bills;
- An easy customer experience tailored to individual needs; and
- Environmental and social responsibility

Ofwat evaluates satisfaction for household customers through the C-MeX performance commitment and through D-MeX, the equivalent measure for developers. We're currently 17th in the industry for C-MeX and D-MeX. Our aim remains to improve our service, increase our scores and reduce the gap between us and the industry median.

In addition to C-MeX, which is limited by small sample sizes, a 50% reliance on customers who've not interacted with us and factors outside of our control, we also monitor and manage our performance against our internal customer satisfaction ('CSAT') measure.

Our CSAT score for 2024/25 was 74.46 against our target of 78. Customer feedback identified high bills and customer side leakage journeys as the main causes of dissatisfaction. We have undertaken root cause analysis for repeat contacts and reviewed specific customer journeys to improve communication with customers and proactively provide information.

We also have a dedicated team responding to complaints and identifying areas for improvement. We've reduced our complaints by nearly two-thirds, from 187,000 to 69,000 per annum over the five-year regulatory period. We've focussed on reducing complaints further and responding to them more quickly (more details can be seen in the Section 'Responding to Customer Complaints').

We recognise there is still much more to do, and this is reflected in our Customer Service Strategy, as we aim for simple and proactive interactions with our customers. This aligns to the continuous improvement aspect of the 'principles for customer care' licence condition.

We've completely changed our operating model for developers and have started a system transformation with new website functionality recently delivered which we're confident will improve our position in the D-MeX rankings.

Key areas of focus in the last year to meet our customer expectations and drive improvements in customer satisfaction, brand perceptions and complaints include:

A water and wastewater service that works today and in the future;

- We've installed or replaced 113,000 smart meters to give customers greater control over their water use and bills, and to help us find and fix leaks more quickly. We were the first water company to reach 1 million smart meter installations;
- We've sustained our extensive sewer cleaning programme of 1,500km and increased the number of sewer depth monitors to over 20,000, which help to proactively detect around 400 potential blockages each month;

Statements: Risk and Compliance Statement (continued)

- Sewer flooding other causes ('SFOC') has improved year on year throughout the AMP, as we have continued to drive blockage reduction through several different initiatives such as the sewer depth monitor programme, allowing the proactive detection of blockages and preventing floods and pollutions. Coupled with the planned cleaning and the interceptor removal programmes, both of which proactively prevent blockages from buildings, 2024/25 saw us deliver the best performance in the last five years with plans to further drive this as we move through AMP8; and
- Water Quality process improvements are underway at various WTWs to reduce the risk of failures. For example, increases in targeted chlorine concentration and continuation of our enhanced hazard review process.

Fair and affordable bills

- This year, we've distributed £25 million of financial help through 'Extra Support Payments' to customers in arrears and increased the volume of customers benefiting from discount tariffs (including our social tariff which gives customers a 50% bill reduction) by over 54,000 to over 400,000; and
- We've also maintained a trust fund of £250 thousand to support customers in hardship.

An easy customer experience tailored to individual needs

- We've created a new 'escalation' team to own and resolve complicated issues for customers. 94% of issues within the billing escalation team are now resolved on the same day;
- Customers can now upload photographs of leaks and pollutions enabling a swifter response, with 1,500 photos uploaded in the first month of use showing that this initiative was well received;
- We've increased the number of households on our priority services register from 197,000 to 607,000 during the AMP;
- We've launched our 'Vulnerability Strategy' which was assessed as 'exemplary' by Ofwat; and
- We've maintained our inclusive service accreditation from the British Standard to the International ISO22458 standard.

Environmental and social responsibility

- In the past year, we've offered employability support to local people resulting in over 300 people joining our business with a sustained rate of employment at 88% of which over 150 were young people, over 50 declared a disability, 40 from a military background, 10 were refugees, 9 were prison leavers and 7 care leavers;
- Our employees volunteered over 4,600 hours in the local community via our Time to Give programme; and
- Seven colleagues from across the business were chosen to support our capacity building project in Madagascar – a project supported by WaterAid.

2. Processes and the assurances we have in place to achieve compliance with our obligations

The Board is accountable and responsible for the prosperity of Thames Water for the benefit of customers, investors and other stakeholders. Our Executive develop and deliver our strategy and make day-to-day financial, operational and regulatory decisions. This includes responsibility for maintaining sound systems of planning, risk management, internal control and performance management.

The Board and Executive are provided with a range of information and evidence to enable them to broadly assess our overall compliance with our obligations.

In addition to this APR, the company reports to its stakeholders primarily through the Annual Report and Accounts ('ARA'), the Sustainability Report and Environmental, Social and Governance ('ESG') Statement. We publish our approach to risk management in the ARA, stating principal risks and uncertainties and providing our long-term viability statement. Together these reports set out the material and emerging risks the company is currently facing, together with steps we are taking to mitigate those risks.

We have a system of internal control that has been designed to:

- Align with our risk management approach;
- Meet the requirements of the UK Corporate Governance Code; and
- Fully consider Financial Reporting Council Guidance on risk management, internal control and related financial and business reporting.

We employ relevant expertise so that we understand our legal and regulatory obligations and can translate them into policies, standards and procedures. This expertise covers, but is not limited to, legal, financial, regulatory, health and safety, assets and processes, and the environment.

We also draw upon additional external expertise, where necessary, so that changes to our existing obligations as well as new obligations are appropriately interpreted and applied.

Management and oversight teams monitor compliance with approved policies, standards and procedures on an ongoing basis. For example, our Water Compliance Governance Board provides oversight on actions to mitigate impacts to drinking water quality and public health. It also provides oversight on all aspects of water compliance, including those regulated by the Environment Agency (abstraction, discharge compliance and reservoir safety).

Our compliance controls framework translates our compliance obligations into a set of minimum control operating requirements.

Statements: Risk and Compliance Statement (continued)

3. Processes and assurance we have in place to report accurately on our performance

As part of our compliance controls framework, so that we provide accurate and reliable information to our stakeholders, our External Reporting Standard (the “Standard”) sets out the mandatory requirements that must be followed when providing information to external parties, including our regulators.

Our external reporting process is designed to provide our customers and stakeholders with information that is accurate, easy to understand and can be relied upon.

We use the ‘three lines’ model to distinguish between first line processes and controls, second line oversight and third line independent assurance.

This establishes the minimum controls over the preparation and submission of information to report on time and to quality. For example, those submissions with the highest risk require approval of the Board and external independent assurance.

All submissions are risk assessed to determine the level of governance required for the submission. Every submission must be assured to first line in the diagram below. This is evidenced through our Information Integrity Declaration (‘IID’) form.

It should be noted that some assurance requirements are prescribed by Ofwat. In such cases, our three lines model does not apply.

The diagram to the right demonstrates how the ‘three lines’ structure is applied across our business:

Risk Governance Structure

Statements: Risk and Compliance Statement (continued)

4. Exceptions to our compliance, data and information

We set out below our material exceptions to compliance with our statutory, licence and regulatory obligations. The information in this section should be read alongside the Directors' Ring-fencing Certificate under Condition P.

Duty or obligation	Disclosure	Actions being taken to improve
Environmental matters		
Environmental permitting regulations and pollutions	TWUL remains at risk of enforcement action by the EA in respect of its compliance with environmental permits, a number of pollution events and other instances of non-compliance.	Our AMP 8 programme includes targeted interventions to improve compliance, and our Pollution Incident Reduction Plan lays out our plan for reducing pollution incidents.
Urban Wastewater Treatment Regulations ('UWWTR') 1994, and section 94 of the WIA91, general duty to provide sewerage system	On 28 May 2025, Ofwat concluded its investigation into our operation, management and maintenance of our sewage treatment works and sewerage network. Ofwat has concluded that the Company failed to meet its UWWTR, WIA S.94 duties and its obligations set out under Condition P of its licence. Ofwat has imposed a financial penalty on the Company of £104.5 million and issued an enforcement order requiring the Company to address the non-compliances that have been identified.	Ofwat's enforcement order sets out the steps the Company is required to take to secure compliance with its legal and regulatory obligations under UWWTR, WIA and Condition P.
Environmental improvement schemes (WINEP7)	TWUL is currently under investigation by Ofwat as to whether delayed delivery of environmental improvement schemes is a breach of its legal obligations.	We are cooperating fully with Ofwat's investigations and have developed plans to deliver the remaining WINEP7 schemes.
Industrial Emissions Directive ('IED')	TWUL supports the objectives of the IED but has been unable to commit to meeting the requirements within the timescales set by the EA.	TWUL is seeking to agree a delivery plan with the EA that enables it to work towards IED compliance.
Financial matters		
Credit ratings	TWUL was found in breach of Condition P.26 of its Licence by failing to maintain two investment grade credit ratings.	In August 2024, Ofwat accepted Section 19 undertakings from Thames Water setting out the steps it will take to restore credit ratings and comply with Condition P of our licence. As part of these undertaking, the Company continues to take steps to secure new equity and restructure the balance sheet.
Dividends	On 28 May 2025 Ofwat imposed a financial penalty of £18.2 million as a result of an alleged contravention of Condition P30 of our licence relating to dividends declared and settled in 2023/24.	As TWUL is now in cash lock-up, Ofwat has concluded that it is not necessary to issue an enforcement order in relation to this matter. No improvement actions have been identified.

Statements: Risk and Compliance Statement (continued)

Duty or obligation	Disclosure	Actions being taken to improve
Operational performance		
Performance commitments	In 2024/25, we achieved 27 of our 55 performance commitments. Full details on current performance can be found in the "Our 2024/25 performance" section of this document	Our AMP8 plans are focussed on securing a significant improvement in operational performance.
S19 leakage undertakings	TWUL has agreed Section 19 undertakings with Ofwat in relation to leakage. In 2024/25, we delivered a 13.2% improvement in leakage (assessed on a three-year rolling average basis against our AMP7 baseline). Leakage is now at its lowest ever level on our network (569.1 ML/d annual average). However, we have missed our regulatory target to reduce leakage by 20.5% over the course of this AMP.	We continue to make improvements to our operational ways of working. Our approach to tackling leakage is now consistent with industry good practice and we are continuing with our Prevent, Aware, Locate and Mend ('PALM') strategy.

5. Board Assurance Statement

The Board of Thames Water Utilities Limited is satisfied that we have, except where otherwise detailed:

- Taken appropriate steps to understand and meet the expectations of our customers;
- A full understanding and have complied with, in all material respects, our statutory, licence and regulatory obligations;
- Appropriate systems and processes in place to identify, manage and review our material risks;
- Processes and systems of internal control to deliver our services to customers and meet our obligations; and
- Provided data and information to Ofwat which is accurate and complete in all material respects.

We also confirm that we have:

- Committed to maintain robust standards of corporate governance, following the requirements of both the UK Corporate Governance Code and Ofwat's Board Leadership, Transparency and Governance Principles (further details can be found in our ARA);
- Provided Ofwat with assurance that we have sufficient financial and management resources to enable us to carry out our regulated activities for at least the next 12 months (save as disclosed and detailed within our Ring-Fencing Certificate in this document);
- Sufficient rights and resources to enable a special administrator to run our Company if such an order were to be made (save as disclosed and detailed within our Ring-Fencing Certificate);
- Taken steps so that all trade with associated companies in the year has been at arm's length, as set out in RAG5 (Guideline for transfer pricing) and RAG 3 (Transactions with associates and the non-appointed business) as found within the disclosures section of this document;
- Maintained our investment grade credit rating (save as disclosed and detailed in the additional commentary for Table 4H of our Regulatory Accounts);
- A principles-based dividend policy in place, as detailed within the disclosures section of this document;
- Explained how we link Directors' pay to standards of performance as set out in section 35A of the WIA91 (further details can be found in the Directors' Remuneration Report in our Annual Report and Accounts and our Sustainability Report);
- Considered as part of its assessment of the long-term viability of the Company, its ability to withstand various severe but plausible downsides. Due to the uncertainty outlined in the viability statement; the Board has relied, in making its viability assessment, on detailed stress testing it has undertaken in prior years. The conclusions of the board in this regard are set out in the viability statement published within the Annual Report and Accounts;
- Made our auditors aware of all relevant information (as required under the Companies Act 2006);
- Taken action so that any exceptions and weaknesses in the data and information assurance approaches have been addressed, such as through the use of external independent assurance;
- Satisfied ourselves that the assurance approaches have appropriately identified and addressed any risks to the provision of accurate and complete data; and
- Reported where we have not achieved the level of performance agreed in our PR19 final determination. Further information is available within the performance section of this document.

Statements: Risk and Compliance Statement (continued)

During the course of its work, our independent auditor, PwC, is required to report if there are any material inconsistencies between the Regulatory Accounting Statements and other information contained within the Annual Performance Report; this includes the information contained within this Risk and Compliance statement.

PwC has not identified anything to report in respect of this responsibility. A copy of the Independent Auditors' Report is provided in the Regulatory Accounting section of this document.

Signed by the Board of Thames Water Utilities Limited:

Sir Adrian Montague
Chairman

Chris Weston
Chief Executive Officer

Steve Buck
Chief Financial Officer

Julian Gething
Chief Restructuring Officer

Nick Land
Deputy Chairman and Senior Independent Non-Executive Director

Adam Banks
Independent Non-Executive Director

Aidan de Brunner
Independent Non-Executive Director

Andrew McNaughton
Independent Non-Executive Director

Catherine Lynn
Independent Non-Executive Director

Ian Pearson
Independent Non-Executive Director

Neil Robson
Independent Non-Executive Director

Nirmal Kotecha
Independent Non-Executive Director

Statements: Directors' Ring-fencing Certificate under Condition P of the Company's Instrument of Appointment

This is to certify that at their meeting on 9 July 2025, the Directors of Thames Water Utilities Limited ('the Appointee') resolved that, in their opinion, for the next 12 months and subject to the material uncertainties, issues and circumstances disclosed in the list of factors below:

- The Appointee will have available to it sufficient:
  - o financial resources and facilities;
  - o management resources;
  - o systems of planning and internal control; and
  - o rights and resources other than financial resources:

enabling it to carry out the Regulated Activities necessary to fulfil the Appointee's obligations under the Instrument of Appointment without being dependent upon the discharge by another person of any obligation under, or arising from, any agreement or arrangement under which that other person has agreed to provide any services to the Appointee in its capacity as a Relevant Undertaker;

- The Appointee will ensure that, as far as reasonably practicable, it has available to it sufficient rights and resources other than financial resources, so that if, at any time, a special administration order were to be made in relation to it, the special administrator would be able to manage the affairs, business and property of the Appointee in accordance with the purposes of the special administration order. The Appointee notes that it is working to secure additional shareholder funding and to undertake a balance sheet restructuring but is making prudent preparation should this not occur or be sufficient;
- All contracts entered into between the Appointee and any Associated Company include the necessary provisions and requirements in respect of the standard of service to be supplied to the Appointee, to ensure that it is able to carry out the Regulated Activities; and
- Any issues or circumstances that may materially affect the Appointee's ability to carry out its Regulated Activities are noted below and/or within the Risk and Compliance Statement.

This Ring-fencing Certificate is an annual requirement under Condition P of the Instrument of Appointment (also known as the 'Licence').

The Board notes that the latest Ofwat guidance set out in IN20/01 for completion of the Ring-fencing Certificate requires the Board to state its opinion on whether the Appointee has 'sufficient' resources to deliver its regulated activities. Condition P of our Licence requires that we have 'adequate' resources in place. The Board is satisfied that its stated opinion set out above regarding the sufficiency of the Appointee's resources also addresses its Licence obligation to maintain 'adequate' resources.

The Licence also requires a statement of the main factors which the Board has taken into account in giving its opinion for the Ring-fencing Certificate.

In providing this opinion, the Directors have considered several factors as part of their enquiries prior to signing this certificate, including but not limited to:

1. Financial resources and facilities

- The Appointee's Final Determination for the 2025 to 2030 regulatory period, which is the subject of a reference to the Competition and Markets Authority ('CMA') which is currently deferred for a period of up to 18 weeks from 18 March 2025;
- The Appointee's available cash resources and borrowing facilities, and taking into account the Appointee's projected net cash flow for the next 12 months from the date of signing the Ring-fencing Certificate. As at 31 March 2025, such liquidity consisted of £0.2 billion of available cash and cash equivalents, access to £1.5 billion of committed and undrawn credit facilities, and permission to access an additional £1.5 billion of uncommitted credit facilities, which shall be available to the Appointee subject to certain conditions being satisfied;
- The amendments to the Appointee's financial covenants and events of default in respect of such financial covenants, following the sanctioning of the Appointee's restructuring plan by the Court of Appeal on 18 February 2025, whereby such financial covenants and events of default have been substantially disapplied. For more details, see disclosures in our Annual Report and Accounts regarding compliance with applicable event of default financial covenants;
- The preparation of the Appointee's statutory accounts on a going concern basis, subject to material uncertainty, including in respect of its long-term viability as disclosed on page 75 and page 157 of this report and in our Annual Report and Accounts;
- The Appointee's ongoing process to secure the required equity investment to deliver a sustainable recapitalisation. Following KKR's withdrawal from the equity process, the Appointee is progressing a proposal from its senior creditors and remains open to other offers; and
- See section on 'Material issues or circumstances' below for further discussion and the latest position in relation to each of the above.

Statements: Directors' Ring-fencing Certificate under Condition P (continued)

2. Management resources

- The Appointee's People Strategy and People Plans which aim to secure that the Appointee has continued access, having regard to current labour market challenges in respect of recruitment and retention, to personnel which will enable it to deliver its regulatory obligations. In particular:
  - The Appointee's leadership and human resources (succession) planning strategy that enable effective leadership of the organisation;
  - The Appointee's ongoing process to streamline and simplify its organisational design, including alignment of the whole asset lifecycle under its Chief Operating Officer, taking opportunities to improve efficiency and effectiveness while mitigating risk to service delivery during the change process;
  - The Appointee's learning and development programme and culture enables its people to gain skills appropriate to their roles;
  - The Appointee's recruitment, reward and recognition strategy to attract high calibre candidates and retain employees with appropriate skills and experience, which is increasingly challenging given the profile of the Appointee and the water sector in general;
  - The Appointee's Management Retention Plan ('MRP') which is designed to ensure stability amongst a small number of individuals considered to be critical to both the Company's financial restructuring process and ongoing operational improvement, but noting that the MRP is currently paused whilst the Appointee considers final guidance from Ofwat in relation to the implementation of the relevant aspects of the Water (Special Measures) Act 2025, so that the Board's approach to remuneration supports both the Company's transformation plan and broader public expectations (see section below under material issues or circumstances for further information); and
  - The Appointee's ongoing commitment to diversity and inclusion enables attraction and retention of diverse talent and allows it to harness the unique skills, experiences and backgrounds that each individual brings - for more detail see our Annual Report and Accounts.
- The Appointee's confirmation, as shown in our Annual Report and Accounts, of how it seeks to meet the Board leadership, transparency and governance objectives set out in its Instrument of Appointment. This includes:
  - The independence of the Appointee's Board from management; and
  - Continued review of its Board committees, their scope and composition.
- The Appointee's comprehensive programme of Board and Executive meetings, the latter including performance and Transformation-focused monthly and quarterly business reviews, supported by appropriate reports and information to enable high quality decision making.

3. Systems of planning and internal control

- The Appointee's corporate risk register, enterprise risk management and assurance process, which reviews, monitors and reports on exposure to, and mitigating controls over, risks and uncertainties as disclosed in our Annual Report and Accounts;
- The Appointee's performance in respect of its Performance Commitments as disclosed in Tables 3A-E on page 112 to page 116 of this report and made reference to in the Risk and Compliance Statement on page 180;
- The Appointee's generation and use of relevant, quality information in support of the functioning of internal control;
- The Appointee's business continuity planning process, including plans for loss of people (including to address loss of skilled resource risk), corporate sites, systems (including cyber security and power resilience) and supply chain;
- The Appointee's incident management processes in place which include incident command structure, defined roles and responsibilities, a dedicated customer incident response team and hazard briefs. These arrangements are supported by incident management training, audits, learning and Director-led incident management updates at Executive performance meetings;
- Improving river health and reducing pollutions is a key priority for the Appointee. Thames Water has been clear that any sewage pollution is unacceptable, no matter what the circumstances. Making the necessary changes will take time and collaborative working to achieve;
- The Appointee's Pollution Incident Reduction Plan ('PIRP') was updated in April 2025 and remains aimed at reducing harm to the environment, decreasing both storm discharges and pollution incidents. In March 2025 the Appointee announced the next steps for London, with £1.8 billion investment planned between 2025 and 2030 to improve river health across the city. This investment will include plans to support a new programme to tackle sewage overflows on the Roding, Wandle, Lee and Brent – building on the work of the landmark Tideway project, now that the 25 km tunnel is fully activated. Plans for the Thames Valley will be published in the coming months. The Appointee also published its first 25-year Drainage and Wastewater Management Plan ('DWMP') in May 2023 for a resilient and sustainable wastewater service that is fit for the future and which reflects Defra's Storm Overflows Discharge Reduction Plan targets. See section on 'material issues or circumstances' below for further discussion on the Appointee's potential non-compliance with its environmental permits;
- The Appointee's drought planning and Water Resource Management Plan ('WRMP') processes;

Statements: Directors' Ring-fencing Certificate under Condition P (continued)

- The Appointee's commitment to integrity and ethical values. Its policies to prevent fraud and other unethical behaviour, mandatory training for employees on ethical behaviours (97% compliance rate as at the end of May 2025) and an anonymous whistleblowing hotline which has been supported by proactive campaigning to raise awareness; and
- The Appointee's ability to meet its legal obligations and its processes to comply with UK sanctions legislation, noting that the Appointee has continued to encounter challenges in the past twelve months in relation to the implementation of a robust and automated sanctions screening programme in relation to its retail customer base. An alternative solution has now been identified, which meets compliance requirements, with high level delivery timescales (for September 2025 completion) and costs confirmed. Legally binding enforcement orders, undertakings, commitments and other actions in progress to address historic and current compliance risks and exceptions relating to environmental compliance, leakage, Security and Emergency Measures Direction ('SEMD') requirements and credit rating together with work to address potential non-compliance with environmental permits are set out in the material issues or circumstances section below.

4. Rights and resources other than financial resources

- The Appointee's purpose, strategy, values and behaviours, which set the 'tone from the top' and a clear direction for everyone across the business and its development of standards and practices relating to health and safety. These guide people to do the right thing, make decisions and what to do if things go wrong;
- The Appointee's digital strategy and design principles are supporting ongoing transformation of IT / OT performance and resilience through its Transformation Plan – including significant investment in modernisation of underlying infrastructure. This is underpinned by IT policies which seek to secure the operation and security of the technology assets essential to service provision. The risk of cyber-attack is increasing as a result of the wider geopolitical climate. Through its dedicated cyber security programme the Appointee continues to improve its cyber security controls and to invest in its cyber defences, strengthen its IT / OT capability and enhance its respond and recover capabilities;
- The Appointee's ability to be resilient by anticipating, coping with, recovering from and learning from disruptive events in order to maintain and improve quality of services for its customers and protecting the natural environment both now and in the future;
- The Appointee's integrated planning systems and continued development towards a systems thinking approach;
- The Appointee's asset maintenance policies, systems, data analytics and modelling to monitor asset health, which are helping it to act with intelligence using data from customers, operations and the environment, to make more accurate and proactive business decisions that improve performance, help to manage risk of asset deterioration and to improve the service that it provides to its customers; and
- The Appointee's insurance programmes, including terms, counterparties and cover limits, which have been reviewed by an independent insurance adviser and approved by the Board.

5. Contracting

- The Appointee's procurement and supplier management arrangements are appropriate for the Appointee to meet its regulatory requirements, subject to limitations regarding supply chain capacity as described further within the section on material issues or circumstances below. These are enabled through a suite of contracts and supply arrangements for third party goods and services which enable the organisation to operate effectively;
- Transactions between the Appointed Business and any Associated Company being at arm's length, as made reference to in this report within the Regulatory Statements (relating to RAG5) and related party disclosures on page 157;
- The Appointee neither gives nor receives any cross-subsidy from any other business or activity; and
- The Appointee has no agreements or other legal instruments incorporating a Cross-Default Obligation without Ofwat approval.

6. Material issues or circumstances

Requirement for significant new equity and debt financing, and associated compliance risks

Context

The Appointee's shareholders (the "Kemble Shareholders") provided £500 million of new equity to the Appointee in March 2023 and in July 2023 agreed to provide a further £750 million across AMP7 subject to satisfaction of certain conditions. On 28 March 2024, the Appointee and the Kemble Shareholders announced that, based on the feedback provided by Ofwat to the Appointee at that time, the regulatory arrangements that would be expected to apply to the Appointee in AMP8 made the PR24 Business Plan uninvestible.

Statements: Directors' Ring-fencing Certificate under Condition P (continued)

As a result, the conditions attached to the £750 million of new equity were not satisfied at that time and the Kemble Shareholders did not provide the first £500 million of the new equity that had been anticipated in March 2024 or any subsequent new equity.

In April 2024 events of default occurred under the financing arrangements for Kemble Water Finance Limited ('KWF'), an indirect holding company of the Appointee, and KWF's financing subsidiary Thames Water (Kemble) Finance plc ('TW(K)F', together with KWF the 'Kemble Debtors'). The Kemble Debtors granted security in favour of their lenders and noteholders, including share security. The Kemble Debtors announced that they had approached their lenders and noteholders to request that they take no creditor action so as to provide a stable platform while all options are explored. Therefore, whilst the Appointee is not an obligor under such financings and the default of the Kemble Debtors does not give their creditors recourse to the Appointee, it may be subject to a change of ultimate beneficial ownership should the lenders and noteholders to the Kemble Debtors enforce such security.

Whilst Ultimate Controller Undertakings in respect of the Appointee, as required under Condition P4 of the Appointee's Instrument of Appointment, remain in place from Kemble Water Holdings Limited and the appropriate Kemble Shareholders, the future governance relationship with Kemble Water Holdings Limited and the Kemble Shareholders is uncertain and dynamic as the ongoing equity investment process and engagement with the Appointee's stakeholders continue to progress in the near-term to seek a market led solution that is in the best interests of customers, UK taxpayers and the wider economy.

PR24 Business Plan

Ofwat published its PR24 Final Determination ('FD') for the Appointee on 19 December 2024. The Appointee followed a diligent decision-making process with its Executive and Board that resulted in a unanimous decision, announced on 14 February 2025, to ask Ofwat to refer its PR24 FD to the CMA for a full redetermination. In making this decision the Appointee sought a regulatory settlement grounded in reality, reflecting the circumstances of its operating area, targets that are challenging but achievable and reflect an appropriate balance of risk and return.

On 18 March 2025 the Appointee announced that it had agreed with Ofwat to defer making the CMA reference for a period of up to 18 weeks from such date. Whilst the Appointee remains of the view that the FD does not serve the interests of Thames Water's customers, communities and the environment, it concluded that recent discussions held out the prospect of unlocking a market-led solution for the recapitalisation of the Company, including through an equity raise. However, there can be no assurance that such discussions will unlock such a market-led solution.

Notwithstanding the CMA reference being deferred, the Appointee has continued to work on its statement of case such that it will be ready for submission if at any point in the process it determines that a CMA reference is required.

In the event of the Appointee withdrawing its agreement to a deferral of its redetermination reference and the reference being sent by Ofwat to the CMA as Ofwat is required to do, there are no prescribed appeal grounds and the CMA will make its own independent judgement as to the right outcome, based on the facts and evidence it has and any compelling arguments presented to it by any disputing company through the Statement of Case, the main party hearings or otherwise.

In reaching its decision, the CMA must take into account the same statutory duties, strategic priorities and objectives (as set out in the Water Industry Act 1991) as Ofwat, including in relation to Ofwat's duty to exercise its powers in the manner which it considers is best calculated to (among other things) secure that water and sewerage undertakers are able (in particular, by securing reasonable returns on their capital) to finance the proper carrying out of their functions.

In the case of the five other water companies who have referred their FD for a CMA redetermination, the CMA has 12 months to issue a decision from the point of referral (following approval of a six-month extension on 1 April 2025). If the Appointee does ultimately withdraw its agreement with Ofwat for Ofwat to defer making the CMA reference so that the reference is made, the CMA will determine at that point the process to be followed for the redetermination.

There can be no assurance that equity funding can be completed prior to the outcome of any potentially reactivated CMA referral, nor that the CMA would make a re-determination that is more investible or financeable than Ofwat's PR24 FD.

The Appointee has finalised its corporate business plan ('IBP25v.3') for the six-year period ending 31 March 2030 based on the detailed information set out in the PR24 FD. Prospective investors in the Appointee require the IBP25v.3, together with significant due diligence, in order to assess whether the Appointee is investible or financeable.

Statements: Directors' Ring-fencing Certificate under Condition P (continued)

Equity investment

In order to fund the PR24 Business Plan, the Appointee announced in 2024 that following receipt of the PR24 draft determination it would pursue all options to secure the required equity investment from new or existing shareholders. The Appointee therefore commenced an equity raise process in the Summer of 2024. The Appointee's process to raise additional equity continues alongside its deferred CMA reference having conducted a robust competitive process in respect of the market-led recapitalisation of the Appointee, starting with a pre-marketing phase in July 2024. Parties have had access to a comprehensive set of diligence materials throughout the first phase of the equity process, ultimately resulting in five non-binding proposals being received on 5 December 2024 and revised non-binding proposals being received from six parties on 10 February 2025. As part of the review of the revised non-binding proposals, a sub-committee of the Board of the Appointee met regularly to consider these revised proposals and the Appointee's financial adviser held clarificatory calls with, and received supplementary information from, the various parties. The Appointee has kept Ofwat updated throughout this process and Ofwat met with each of these parties.

On 31 March 2025 the Appointee announced, following the detailed assessment of proposals received, that it had selected KKR to enter the Phase 2 diligence stage of the equity process as preferred partner. Certain senior creditors in parallel progressed work on an alternative proposal to recapitalise the Appointee. Following a 10-week due diligence process, KKR confirmed in writing late on 2 June 2025 that it was not in a position to proceed, and its preferred partner status lapsed. The alternative proposal from certain senior creditors was submitted at the same time, and the Appointee is continuing discussions with those senior creditors, Ofwat and other stakeholders on the proposal but remains open to other offers.

The Appointee is focused on putting Thames Water on a more stable financial foundation, implementing its transformation plan and delivering a market-led solution that is in the best interests of customers, UK taxpayers and the wider economy. Discussions to progress the creditor-led transaction continue, including with Ofwat and the Appointee's other stakeholders. Agreed transaction terms are targeted for the third quarter of 2025 with a view to completing a recapitalisation in the second half of 2025 or first half of 2026.

There is no certainty that a binding creditor-led proposal will be forthcoming as it remains subject to diligence, documentation and regulatory and other approvals. As a result, the Appointee has undertaken prudent contingency planning.

The Board noted as an uncertainty in its 2024 Ring-fencing Certificate that there can be no assurance that the equity raise process will raise sufficient (or any) funds for the Appointee to be able to fund its PR24 Business Plan. Whilst this uncertainty remains, the Board is encouraged and takes comfort from the number of serious offers received following the FD, the progress made on due diligence to date and the creditor-led solution being progressed by certain senior creditors, which supports the pathway towards recapitalisation and resolution of the uncertainties associated with the Company's sufficiency of resources over the longer term.

Liquidity extension

On 18 February 2025, the High Court sanctioned the Appointee's restructuring plan to extend its liquidity runway. On 17 March 2025, the Court of Appeal upheld the High Court decision subject to a limited modification relating to releases by Thames Water Utilities Holdings Limited and the Appointee. This means the Appointee's plan to extend its liquidity runway until May 2026 has been approved and it has passed another milestone to put the business on a more stable footing.

This transaction, now sanctioned by the Court, among other things, extends the maturities of all Class A Debt and Class B Debt (including amortisation payments) by two years and gives the Appointee the opportunity to obtain up to £3 billion of funding including:

- An initial tranche of £1.5 billion to extend its liquidity runway until December 2025;
- Capacity for a further £1.5 billion across two uncommitted tranches of £750 million, to further extend liquidity to September 2026 if required, following its decision to refer Ofwat's FD to the CMA (the reference being subject to an 18 week deferral up until at least 22 July 2025).

The Appointee commenced the drawdown process for the first tranche of funding in April 2025 and £715 million has been drawn by the Appointee to date. The remaining £785 million committed super senior funding is subject to conditions including that a final, unappealable judgment has been provided in respect of the Appointee's restructuring plan. Following receipt of the Court of Appeal's judgment on 15 April 2025, on 25 April 2025 Charlie Maynard MP sought permission to appeal the Court of Appeal's decision to sanction the Appointee's restructuring plan. The Court of Appeal rejected such application on 16 May 2025 and Charlie Maynard MP sought permission directly from the Supreme Court. A decision as to whether or not such permission to appeal will be granted has not yet been made and therefore the Appeal Condition remains outstanding.

Statements: Directors' Ring-fencing Certificate under Condition P (continued)

The Appointee expects to launch further waiver processes whilst this condition remains unsatisfied. Any creditor who does not participate in the waiver processes for this condition precedent will have their commitments deferred until the full super senior funding has been obtained (and an amount equal to the deferred amount, can be requested for commitment from other super senior lenders).

The funding is also subject to a condition (the 'Trigger Event Condition') that no Trigger Event (including the issuance of an Enforcement Order pursuant to the WIA against the Appointee which would have a material adverse effect if not complied with) has occurred since the Plan Effective Date (as defined in the funding documents). Following the issuance by Ofwat of an Enforcement Order pursuant to the section 18 Water Industry Act 1991 in connection with its investigations into TWUL's wastewater operations on 28 May 2025, this condition is also not met.

In addition, following 30 June 2025 any further drawings of this £1.5 billion will, unless waived, also be subject to the condition that a supported lock-up agreement is in place (with 66 2/3% of class A creditors and super senior creditors signed up) for the holistic recapitalisation ('RP2') (the 'June Release Condition'). As set out below, this condition has not yet been satisfied.

As at 9 July 2025, the June Release Condition, Appeal Condition, and Trigger Event Condition have not been satisfied and Thames Water continues to work in good faith to implement a recapitalisation transaction in order to satisfy the June Release Condition. However, in the first half of July 2025 the Appointee sought to obtain waivers of the Appeal Condition and the Trigger Event Condition and an extension of the June Release Condition deadline to 31 July 2025. The Appointee expects to draw a further £157 million of the remaining super senior funding. This third drawing is expected to provide funding into September 2025.

The final £1.5 billion can only be requested for commitment if, among other things, three key conditions are met: 30 June 2025 has passed, the June Release Condition is satisfied, and the board has made the CMA reference decision.

Extending its liquidity runway is an important step in the Appointee's process to increase its long-term financial resilience, to attract new equity into the business, restore its investment grade credit rating and address the Section 19 undertakings relating to restoration of investment grade credit ratings agreed with Ofwat last year (as explained further below). Notwithstanding the progress made to date to implement a recapitalisation transaction and the continued support from the super senior creditors (as evidenced by various consents to waivers to access funding), there remains continued uncertainty regarding the satisfaction of certain conditions enabling the Appointee to access funding.

The liquidity extension will not directly affect customer bills as the cost of the liquidity extension is incorporated within the financing arrangement itself, but will provide the necessary funding for the continued investment in the Appointee's network to fix pipes, upgrade its sewage treatment works, and maintain high-quality drinking water. It is Ofwat's assessment of the efficient cost of investment which is recovered from customers over time through operation of its price controls.

As at 31 March 2025 the Appointee had available liquidity consisting of £0.2 billion of available cash and cash equivalents and access to £1.5 billion of committed credit facilities, of which £1.5 billion was undrawn and permission to access an additional £1.5 billion of uncommitted credit facilities which shall be available to the Appointee subject to certain conditions being satisfied. This additional liquidity will, once available, fund forecast operating cashflows, capital expenditures and service debt until September 2026.

The Appointee faces significant incomplete enquiries, investigations and litigation that could lead to significant fines and penalties, unfunded expenditure costs and claims in damages. The impact of these could place restraints on the financial resources available to the Appointee, potential returns to equity investors and further affect the investibility and financeability of the Appointee.

The Appointee has been subject to financial ratio tests which monitor interest cover and leverage. However, following the implementation of the Appointee's court-sanctioned restructuring plan, amendments have been made to the Appointee's debt documentation. The outcome of such amendments is that the Trigger Events and Events of Default relating to financial ratios are no longer applicable during the ongoing period known as the 'Stable Platform Period' whilst a recapitalisation transaction is being formulated. During this period, however, the Appointee and the Issuer have continued and heightened reporting obligations to its secured creditors and additional covenants such as the requirement (tested upon each drawdown of super senior funding by the Appointee) for confirmation of positive cash flow forecasts (including committed but undrawn super senior funding) for each week in the next following 13-week period other than any week which ends after 31 August 2025 and, following the CMA reference decision being taken, 28 February 2026. Provided that the full £3 billion super senior funding is made available to the Appointee, the Board considers that this covenant should continue to be met, although until the satisfaction of the June Release Condition in full there remains uncertainty as to the timing of access to the remainder of this funding.

Statements: Directors' Ring-fencing Certificate under Condition P (continued)

The Appointee and the Issuer's ability to provide certain confirmations (as referred to above), reach certain milestones and ensure that the Appointee has sufficient financial resources carries significant uncertainty as each of these remains contingent upon securing a deliverable, investible and financeable PR24 outcome (which may be subject to a CMA referral), securing new equity investment and completing a sustainable recapitalisation of the business.

Credit Rating

On 24 July 2024 Moody's downgraded the Appointee's corporate family rating to Ba2 with negative outlook (from Baa3) and on 31 July 2024 Standard & Poor's downgraded the Appointee's Class A debt by two notches to BB with negative outlook (from BBB- previously). Both ratings then fell below the requirements set out in Condition P26 of the Appointee's Licence requiring two ratings of investment grade to be held. During subsequent months both ratings were downgraded further, with Moody's Corporate Family rating now at Caa3 (stable outlook) and Standard & Poor's Class A rating now at CCC (negative outlook).

As a result of these downgrades by S&P and Moody's, TWUL does not currently hold any issuer grade credit ratings and Ofwat has confirmed it is in breach of Condition P26. A package of undertakings was accepted by Ofwat in which the Appointee committed to taking all reasonable steps to address the concerns raised by its credit rating agencies and to restore two Investment Grade Ratings in line with Condition P26 of the Licence. The consultancy firm, L.E.K. Consulting, was appointed as an 'independent monitor' to review the Appointee's progress and compliance with the undertakings it made to Ofwat. Successfully restoring its investment grade credit rating is reliant on securing a deliverable, investible and financeable PR24 outcome (which may be subject to a CMA referral), securing new equity investment and completing a sustainable recapitalisation of the business.

Further details on these undertakings and progress in their delivery is provided in a separate section below.

Other uncertainties and potential implications

On 28 May 2025 Ofwat issued a penalty notice for £18.2 million in respect of its finding of contravention by the Appointee of Condition P30 of its Licence in relation to certain interim dividend payments made in October 2023 and March 2024. No enforcement order was issued, with Ofwat noting that credit rating downgrades subsequent to those interim dividend payments mean that the Appointee is now in cash lock-up and is unable to declare or settle any future dividends (without Ofwat's prior consent) until such a time as its investment grade credit ratings have been restored.

The inability of the Appointee to pay a dividend as a result of the cash lock-up and the uncertainty that may arise in relation to future declaration of dividends could affect the equity proposition that the Appointee represents.

Taking all of the financial uncertainties disclosed in this section together there can be no assurance that the equity raise process will raise sufficient (or any) funds for the Appointee to be able to fund the PR24 Business Plan. In the event that the Appointee cannot implement the PR24 Business Plan in full, without regulatory easements, it is likely that it would over time breach the conditions of its Instrument of Appointment, the Water Industry Act 1991, its environmental permits and other legislation. These could be breached (or be likely to be breached) in such a way that would be serious enough to make it inappropriate for the Appointee to continue to hold its appointment and give rise to a ground for the Secretary of State (or Ofwat, with the consent of the Secretary of State) to petition the court for a Special Administration Order. Any or all of these factors, or analogous factors, singularly or in combination, may lead to Special Administration.

The Board has concluded that it is reasonable to prepare the financial statements within the statutory accounts on a going concern basis having regard to the factors and material uncertainties described in the section above and as set out within the going concern disclosure within the Annual Report and Accounts.

The above factors in combination or alone could affect whether the Appointee has available to it sufficient financial resources and facilities enabling it to carry out the Regulated Activities necessary to fulfil the Appointee's obligations under the Instrument of Appointment without being dependent upon the discharge by another person of any obligation under, or arising from, any agreement or arrangement under which that other person has agreed to provide any services to the Appointee in its capacity as a Relevant Undertaker.

Transformation plan and current performance

In accepting the FD for the 2020 to 2025 regulatory period the Appointee said that it did not necessarily expect to be able to operate within the cost and service thresholds set out in that FD. The Appointee's central expectation was that it would incur net overspends and net penalties. In accepting, the Appointee's Board did so fully understanding the challenge presented by that FD (including regard to externally assured financial forecasting of key metrics and likely impact on covenants and credit ratings) and the support provided at that time by the shareholders in making its decisions.

Statements: Directors' Ring-fencing Certificate under Condition P (continued)

The Board recognised that the position deteriorated further during AMP7 with significant forecast performance penalties and costs beyond those anticipated when the FD was accepted including the impact of Covid-19, significant inflationary headwinds in core areas of expenditure (including labour, energy prices and chemicals) and increasing costs of delivering against some AMP7 requirements including WINEP and IED. This is why, in March 2021, the Executive developed a turnaround plan to transform the performance of the Appointee, which was approved by the Board.

Nevertheless, the Appointee since faced several unexpected challenges during AMP7, again impacted by weather events with a record drought and freeze / thaw event affecting progress on water and wastewater metrics, including a risk to water quality (CRI), leakage and pollutions performance. High inflation, particularly on key costs such as power and chemicals alongside the decline in real wages (the 'cost of living crisis') through to 2023 also materially impacted financial performance causing significant financial strain.

As work progressed on the original turnaround plan it became clear that the capacity of the Appointee to deliver change alongside the pressure of day-to-day operations was more limited than the Executive had expected. The Executive therefore produced a more focussed turnaround plan ('TAP2' or 'Turnaround Plan'), which was approved by the Board in November 2023. TAP2 had three clear objectives:

(i) stabilise the business; (ii) evidence performance improvement in areas that matter most to customers and the environment; and (iii) build sustainable foundations to enable the long-term transformation of the business.

TAP2 was focused on what could be delivered over a shorter, three-year, timeframe making it easier for people inside and outside the business to engage based on more tangible, near-term progress towards a more resilient and investable Thames Water that delivers positive outcomes for customers, communities and the environment. This plan was built on four key pillars: (i) Operational Performance; (ii) Financial Efficiency (iii) Resilience; and (iv) Foundational Capabilities. Against these four pillars, there were 18 specific initiatives, each of which had a single accountable owner and dedicated resource where appropriate. Each initiative was focused on delivering specific outcomes, and together included reprioritisation and deprioritising of certain activities not deemed core to Turnaround. The plan included key metrics (crucially involving leading as well as lagging indicators) and was considered alongside the development of the Appointee's PR24 Business Plan.

As part of its prioritisation work, the Appointee implemented a programme of operating cost efficiencies which was designed to enable the Company to continue to operate within its budget and to meet its financial covenants. In updating the Turnaround Plan and associated prioritisation work, the Appointee considered impacts on compliance and the material issues raised in this Certificate and believes that reasonable steps are being taken to enable delivery of the Company's obligations in the medium term, and to progress resolution of the material issues reported on in this Certificate. The Appointee is clear that there is a considerable lag between investment and performance improvements with large programmes of work spanning multiple years which will take time to reap the benefits. TAP2 was operationally supported by a Turnaround Management Office and a regular cadence of Executive and Board-led progress reviews. The Appointee's business governance has evolved, and all turnaround initiatives were reviewed in the context of CEO-led business area Monthly Business Reviews ('MBRs') to allow for a holistic performance review.

At 31 March 2025, 70% of targeted 2024/25 outcomes were reported by the Turnaround Management Office as having been met. While there is encouraging progress in Supply Interruptions, Water Quality and Complaints, driven by root cause analysis and response, Pollutions and Leakage performance remain challenging (albeit with material underlying improvements being delivered in components of those plans).

Turnaround Plan outcomes for 2025/26 have been realigned to Year 1 of the Appointee's IBP25v.3, which runs from 2025 to 2030.

The Appointee remains focused on delivery of its four priority Performance Commitments of Pollutions, Leakage, Supply Interruptions and Water Quality (CRI), as well as other operational performance initiatives (including Customer Complaints) and the remaining resilience, foundational and financial efficiency turnaround initiatives. At the same time, the newly developed, fully integrated Transformation Plan ('IBP25v.3') will be mobilised to cover the entire AMP8 period, including any Turnaround initiatives not already delivered, supported by an equivalent governance process to that adopted for TAP2, including CEO-led monthly Transformation Business Reviews.

The Appointee has developed, and is in the process of operationalising, an AMP8 Transformation Plan to underpin delivery of IBP25v.3, supported by a Transformation Office. The transformation of Thames Water is more holistic than delivery of the TAP2 initiatives, with progress made in terms of implementing and maturing key transformational enablers including the Asset Operations and Capital Delivery ('AO&CD') asset life cycle operating model, which also creates clearer lines of accountability, and optimised processes and decision making as the Appointee looks to scale capital deployment through AMP8. Alongside delivery of water, wastewater and customer service strategies to enable AMP8 outcomes to be delivered, the Appointee's AMP8 transformation also requires improvements in cross-cutting and high-risk areas including scaling capital deployment, systems planning, asset data transformation, digital enablement and end-to-end planning.

Statements: Directors' Ring-fencing Certificate under Condition P (continued)

Residual components of the TAP2 initiatives will continue to be delivered within the line of accountability through 2025/26.

There have been a large number of changes in the leadership team of Thames Water throughout AMP7 – for example, during the financial year ending 31 March 2025 eight members of the Appointee's senior leadership team resigned from the Company (which is c. 20%). The Appointee therefore introduced a Management Retention Plan ('MRP') designed to ensure stability amongst a small number of individuals considered to be critical to both the Appointee's financial restructuring process and ongoing operational improvement, where the expectations on its leadership team have been heightened for a significant period of time (which is expected to continue for the year ahead) and whilst there is significant uncertainty regarding the future of the business. It is essential that we identify, recruit and retain the highest calibre of talent with the skillset to deliver the transformation required for Thames Water, acknowledged as being one of the most complex turnarounds that will take at least 10 years to complete.

The Appointee's understanding at the time the MRP was put in place was that these retention payments were permitted under the Water (Special Measures) Act 2025. However, we paused the scheme to await final guidance from Ofwat in relation to the implementation of the relevant aspects of the Water (Special Measures) Act 2025, so that the Board's approach to remuneration supports both the Company's turnaround plan and broader public expectations. Ofwat has now published its rules under the Water (Special Measures) Act 2025, which apply to TWUL's directors, and the Board will take the appropriate amount of time to consider the guidance and engage further with Ofwat before determining next steps.

In September 2025, we expect Ofwat to publish its Water Company Performance Report ('WCPR') for 2024/25 which will assess how the Appointee has performed against key performance commitments. The Appointee published an updated Service Commitment Plan ('SCP') on 29 November 2024 which was further revised on 31 January 2025, along with an updated monitoring template.

The SCP sets out what the Appointee is doing to improve its performance in key areas that matter most to its customers and the environment, notably leakage and pollutions, supply interruptions and water quality. It also includes information on how the Appointee will maintain performance improvements through its proposed AMP8 plans. Further detail of our 2024/25 performance can be found in the performance section of this report and in Tables 3A-E.

Leakage

In 2024/25 the Appointee delivered a small reduction in annual average leakage compared to its 2023/24 annual average outturn. As a consequence, leakage remains at its lowest ever level on our network. Notwithstanding this, progress on reducing leakage this year has been disappointing with overall performance falling short of our internal target. We have reduced leakage on our network by 13.2% (when assessed over a three-year rolling average basis) against our AMP7 baseline compared to an AMP7 regulatory target of 20.5%. As a consequence, we have incurred significant ODI leakage penalties over the course of the AMP totalling £37.8 million.

The recovery since the extreme weather of 2022/23 (summer drought and winter freeze-thaw events) has continued, albeit at a slower pace in London compared to Thames Valley and the Home Counties. In 2024/25, we were on target to meet our stretching annual average internal leakage target of 529 ML/d for the first four months of the year. However, leakage increased in the summer as aged pipes moved as the ground dried out. This was exacerbated by colder temperatures in winter and water temperatures remaining colder into spring for longer than the previous year, which increases the risk of leakage.

Our Prevent Aware Locate and Mend ('PALM') strategy, which is consistent with industry good practice, continues to improve our operational ways of working, focusing on fixing larger leaks sooner. We've repaired or replaced more district meters, deployed additional monitoring and better alarm response and continued analysis to identify particular District Metering Areas ('DMAs') with poor performance to enable localised action plans. We have intensive monitoring and review pathways in place to drive continual progress on achieving our Leakage Transformation Programme.

Despite our shortfall in performance against the regulatory target, we believe that we are doing everything reasonably practicable to comply with our S.19 undertakings, a conclusion which is supported by the findings of KPMG's assurance report on the status of our S.19 undertakings where they have concluded that "there is evidence to suggest TWUL is currently compliant with the undertakings". We have continued to keep Ofwat updated on our leakage performance through quarterly meetings that have taken place throughout 2024/25 and will be providing Ofwat with our next (and proposed final) leakage monitoring report in July 2025. We recognise that following receipt of this report Ofwat will need to take a view as to whether it is satisfied that we have complied with the previously agreed undertakings.

Undertakings relating to credit rating

As noted above, a package of legally binding undertakings provided by the Appointee under Section 19 of the Water Industry Act 1991 was accepted by Ofwat in which the Appointee committed to taking all reasonable steps to address the concerns raised by its credit ratings agencies and to restore two Investment Grade Ratings in line with Condition P26 of the Licence. Ofwat appointed the consultancy firm, L.E.K. Consulting, as an 'independent monitor' to review the Appointee's progress and compliance with the undertakings it made to Ofwat. The monitor is expected to remain in place until such a time as the 'remediation objective' (being the restoration of two investment grade credit ratings) has been achieved.

Statements: Directors' Ring-fencing Certificate under Condition P (continued)

Since the appointment of L.E.K. as our independent monitor, we have engaged positively and constructively with the L.E.K. team.

As required by the undertakings provided by the Appointee under Section 19 of the Water Industry Act 1991, two additional Independent Non-Executive Directors with appropriate experience were appointed to the TWUL Board and remain on the TWUL Board, such individuals being Aidan de Brunner and Neil Robson.

The Appointee believes it is taking all relevant steps to deliver its undertakings and achieve the "remediation objective", but the pathway to successfully restoring its investment grade credit rating is effectively the same as that described above in the section on financing matters and which requires attracting new equity to invest in the Appointee and by securing a full recapitalisation of its business.

Environmental compliance

The Appointee is in the process of putting together a Holistic Compliance Plan ('HCP'), which is based on a gap analysis of current and anticipated AMP8 compliance status as compared to the target of compliance with all material environmental and water quality regulation. A significant part of the HCP relates to capital investment in sewage treatment works (WINEP7, WINEP8, WAAP, WAAP+ and IED), and will determine sequencing and timescales for STW upgrades over the course of AMP8 and beyond. The HCP will also include plans to address additional material compliance risks such as abstraction, other sewage treatment works permit compliance, and water treatment works permit compliance. The Appointee is seeking to engage with and obtain feedback from regulators (currently, Ofwat, EA and DWI) on the HCP (and particularly on deliverability and prioritisation) as it progresses. It is planned that the HCP will ultimately form a significant part of the Appointee's AMP8 Delivery Plan. Progress against the HCP will be closely monitored, and adjustments made as necessary such that it remains appropriate for reducing the Appointee's potential compliance risk.

Through its turnaround plan the Appointee has enhanced its internal governance. This includes enhancing its approach to environmental compliance risks to further strengthen the line of sight of its environmental permit compliance risks through the Executive Risk Committee, into the Audit, Risk and Reporting Committee and ultimately its Board.

As part of the Appointee's work to improve its understanding and management of environmental compliance risks, it is developing a 'three lines of defence' approach. This will increase the Appointee's capacity and capability to proactively identify and manage compliance risks. The 'first' line of defence is an improved awareness of all permit requirements through more regular training and support of relevant site operational employees, coupled with an increased self-assessment process on these permit requirements, undertaken by a new team. The 'second' line involves self-assurance, supported by information from the Compliance Assessment System ('CAS'). This will proactively identify and highlight compliance risks and communicate them to the self-assessment team to review and address. The Appointee has recently digitalised the CAS, improving its ability to interrogate circa 26,000 lines of data and to prioritise risks by Compliance Classification System ('CCS') categorisation of severity, site and asset type. A third line of defence will ensure that the processes of the first and second lines are appropriately audited and align with its Environmental Management System ('EMS').

Spills and Storm Overflows

The Appointee is at risk of non-compliance with the Urban Waste Water Treatment Regulations ('UWWTR') and flow to full treatment ('FFT') Environmental Permit requirements at a number of its wastewater treatment sites. It has produced a Wastewater Asset Assurance Programme ('WAAP'), which includes significant investment in flow monitoring to enable it to better understand the potential risk of non-compliance at each site.

Delivery of that plan and any associated corrective actions at sites has reduced the number of sites of concern at potential risk of non-compliance with the four WAAP criteria (Flow to Full Treatment ('FFT'), Effluent Quality, Screening and Storm Tanks) by 31 sites by the end of AMP7, with the remainder to be addressed in AMP8/9. Note that over 50 of the original sites of concern are showing indicative compliance with their FFT permit conditions predominantly due to operational intervention and improved monitoring, although other non-compliances may remain on site.

£1,044 million has been included in IBP25v.3 for delivery of the remaining WAAP sites and costs for WAAP+ have been estimated in the region of £800 million. The Appointee has confidence that the WAAP and WAAP+ plans (which in turn will from part of the HCP) will help manage the risks of non-compliance with UWWTR and FFT permit conditions identified.

On 28 May 2025 Ofwat issued a penalty notice for £104.5 million and an enforcement order after finding that the Appointee contravened the Urban Waste Water Treatment (England and Wales) Regulations 1994, section 94 of the Water Industry Act ('WIA91') and Condition P12 of its Licence in relation to management and operation of its wastewater treatment works and network. The order requires agreement with Ofwat within 6 months of remediation plans for wastewater treatment works and the wastewater network, an overflow plan to minimise environmental harm from untreated discharges and a management plan to demonstrate oversight of compliance. The order requires that the Appointee must then comply with the obligations contained in those plans in accordance with their deadlines and terms, and to report to Ofwat on a 6-monthly basis its progress against all requirements of the order. The Appointee is considering how far it is appropriate to align those required remediation plans with the HCP. The hope and expectation is that the HCP will answer the requirements of the enforcement order, or the majority of these at least.

Statements: Directors' Ring-fencing Certificate under Condition P (continued)

The Appointee remains under investigation by the Environment Agency ('EA') with regard to its compliance with flow conditions in its environmental permits ('Operation Standard'). Again, it is anticipated that the HCP will answer the EA's underlying compliance concerns. This may not lead the EA to decide not to take formal enforcement action, but is intended to provide good mitigation.

The Appointee was also one of several companies subject to a collective proceedings claim in the Competition Appeal Tribunal ('CAT') alleging a breach of competition law in relation to the historic reporting of pollution incidents. Judgment was handed down on 7 March 2025 where the CAT determined that the claims are excluded through operation of the Water Industry Act 1991 and it has therefore dismissed (and not certified) the claim. The Appointee is considering the full judgment and notes that an application for leave to appeal has been made.

The Appointee is also taking action to help address risks of potential non-compliance with Dry Day Spills ('DDS') and flow monitoring permit requirements from the EA. It is actively collaborating with the wider industry and the EA to align on catchment-specific variations to the strict DDS definition. As part of this process, compliance action plans are being developed for EA approval, with the aim of achieving greater alignment to the EA's reporting requirements. DDS reporting is conducted monthly, enabling timely and consistent updates with further action being taken and planned to tackle infiltration challenges, to deliver the Groundwater Infiltration Strategic Management Plan ('GISMP') and in delivery of the WAAP programme which provides further benefits in terms of DDS and flow monitoring compliance.

WINEP programme

The Appointee has been unable to deliver the full suite of schemes contained within the AMP7 WINEP in AMP7. Whilst it has completed a substantial proportion of its AMP7 programme there remain 123 schemes which will be delivered in AMP8 (and in limited instances AMP9), with work ongoing to mitigate any non-compliance risk at individual AMP7 WINEP sites.

These delayed WINEP7 schemes are to be included within the Holistic Compliance Plan.

Looking ahead into AMP8 in its April 2024 updated PR24 business plan, the Appointee identified over £3.0 billion of WINEP investment required to meet statutory requirements from environmental legislation in AMP8. This very significant increase in investment requirements is beyond the Appointee's forecast capacity to deliver, even considering the significant ramp-up of capacity planned – partly due to limitations in the supply chain. Ofwat's FD has placed an efficiency challenge of one-sixth on this value while retaining all the scope. A Delivery Mechanism has been agreed with Ofwat, enabling funding to be unlocked for schemes not currently included as part of the Appointee's plan, provided it can demonstrate to Ofwat that it is delivering its plan on track and that additional delivery capacity has been found to enable additional schemes to be delivered. Approximately half of the AMP8 programme is included in the delivery mechanism, with the remaining half in the main Plan. Regulatory obligations are linked to the full programme, with any non-delivery triggering non-compliance and Price Control Deliverable ('PCD') timing incentive penalties. Some PCDs also vary the funding allowance depending on scale and type of solution delivered, mitigating some exogenous risk (e.g. for some new in-AMP requirements), but restricting cost outperformance opportunities. All WINEP8 schemes are to be included within the Holistic Compliance Plan.

On 12 February 2025 Ofwat announced that it has opened an investigation under Section 18 of the Water Industry Act 1991 into Thames Water relating to the delivery of its Water Industry National Environment Programme ('WINEP7') commitments (referencing more than '100 of the 812 WINEP schemes' being flagged by the Appointee 'as not being delivered on time'). Ofwat has stated that it is investigating potential breaches of the Water Industry Act, the Urban Wastewater Treatment Regulations, and Condition P of the Instrument of Appointment in relation to these WINEP schemes.

The risk of deferral has been the subject of separate detailed disclosure as a material issue within this Certificate for the last three years (2021/22, 2022/23 and 2023/24) with further information relating to the current situation provided above.

Where a WINEP scheme is not delivered by its regulatory due date, in the normal course of events an updated Environmental Permit condition will come into effect on the assumption that the scheme has been completed. This means that sites with delayed WINEP schemes are at significant risk of being unable to operate in accordance with their Environmental Permit conditions. Unless and until the WINEP schemes are delivered, these sites are at risk of investigation and enforcement action (including prosecution) by the Environment Agency.

Growth and planning

The Environment Agency is increasingly exercising its ability to object to planning applications where proposed development would discharge to STWs that it perceives to have insufficient capacity to receive additional flow. This can result in political pressure to upgrade works quickly.

There are two STWs in respect of which there are live EA objections – Swindon and Slough STW. In respect of Swindon, the Appointee does not accept that the objection is valid and discussions with the Local Planning Authority and with the EA to resolve differences are ongoing. In respect of Slough, the Appointee awaits the outcome of an Urban Pollution Monitoring ('UPM') study to inform its position in relation to the EA's objection.

The Executive Committee and the Environmental Governance Board are receiving regular updates on the position with sites of planning concern. The Executive Committee has approved in principle a recommendation that the Appointee itself should object to planning applications where the Appointee does not have capacity to receive additional flow, such that there would be a risk of a receiving watercourse being put at unacceptable risk from water pollution.

Statements: Directors' Ring-fencing Certificate under Condition P (continued)

IED

The Appointee supports the objectives of the Industrial Emissions Directive ('IED'). However, it has been unable to commit to meeting the requirements using Best Available Techniques ('BAT') within the timescales set by the EA (full compliance by 31 March 2025).

The Appointee continues to face issues with regard to timing, deliverability and affordability of the IED programme, both historically in AMP7 and looking forward into AMP8 (no funding was approved at PR19 for IED in AMP7). Despite ongoing conversations with regulators, the work required is much more extensive than was envisaged when IED was adopted for sludge treatment facilities by the EA. The Appointee's plan for compliance with IED did not align with the deadline for full compliance stipulated by the EA of 31 March 2025.

As required by the EA, the Appointee submitted all permit applications by 20 December 2023. However, it is not practically possible for it to deliver the improvement requirements within the timelines specified in the permits.

Work continues to progress the IED appeals (all 25 IED permits have now been issued). The Appointee submitted an appeal on the Reading permit in January 2024 and the Planning Inspector issued her decision on 13 September 2024. It was successful in its argument as to the correct interpretation of the CIRIA Guidance with regard to secondary containment but was ultimately unsuccessful in the appeal of the specific improvement conditions. One site - Maple Lodge - is currently under appeal. Hearings took place on 29 – 30 April 2025 and on 21 May 2025, and the Appointee awaits a decision from the Planning Inspector.

At £290 million, Ofwat's FD for the IED enhancement case was £244 million less than the revised £534 million which the Appointee requested. Ofwat also rejected its proposal of three PCDs of the three main capital interventions of secondary containment, covering of tanks with potentially harmful emissions to air and covering of tanks for non-harmful emissions. Ofwat favoured a single PCD - requiring full compliance to be delivered on each site with no acknowledgment of the issues faced on deliverability. A cost sharing mechanism applies with 75% of any additional spend to be recovered from customers and 25% to be borne by shareholders. IED enhancement funding is only provided by Ofwat in AMP8 with a requirement of EA confirming compliance for each site by the end of the AMP or all IED enhancement funding for that site is to be returned.

On 23 January 2025, the Appointee met with senior representatives of the EA to discuss and establish a senior relationship regarding IED delivery and compliance at Thames Water's various STCs. On 21 February 2025, the EA wrote to the Appointee (and similarly to all other water and sewerage companies) reiterating the expectation that the Appointee should have been undertaking work to achieve compliance with the conditions of its IED permits, including the associated improvement conditions, and that they required by 31 March 2025 written confirmation of Appointee's compliance plan for each of its sludge treatment sites, i.e. the "best endeavours" plan.

The Appointee has now undertaken its own assessment of its STC sites to establish alternative proposals for the type and scale of works needed and drafted a Delivery Plan as required by the EA (the "best endeavours" plan). The Appointee submitted this Delivery Plan to the EA on 31 March 2025 and is currently considering how best to address the EA's generic feedback received during May 2025 (noting that further detailed and specific feedback is awaited). The Appointee is seeking to agree a delivery plan with the EA that enables it to work towards IED compliance in a timeframe that is acceptable to both parties. All IED schemes are to be included within the Holistic Compliance Plan.

Security and Emergency Measures Direction ('SEMD')

The Appointee's 2024/25 RAG self-assessment outcomes submitted on 31 March 2025 reported 8 'green', 10 'amber' and 15 'red' (compared to 10, 12 and 11 respectively last year). This change in outcomes is a reflection of increased understanding of the criteria and standards within the RAG, and an acknowledgement of two specific areas that had been called out in our related legal instruments received this year; not a reflection of a downturn in performance in real terms. We have a robust 'Go to Green' plan which was submitted alongside our self-assessment at the end of March.

The Appointee is subject to a Final Enforcement Order ('FEO') issued by the DWI on 12 September 2024 under Section 18 of the Water Industry Act 1991 regarding physical security of its assets under the SEMD. The Final Determination has been received, providing the full amount requested in its Plan (£471 million) however this is to be released through Ofwat's Large Gated Scheme Process – we continue to work with Ofwat regarding the detailed approach for gates in alignment with our existing internal frameworks supported by the new Sponsor model. The final order spans AMP8 to AMP11 and there is no confirmed path for funding beyond the AMP8 provision – work will be carried out in readiness for an AMP9 provision through PR29 activity. The separate Undertaking received for Ashford Common Water Treatment Works in 2023 remains in place; and the DWI has signed off all milestones to date as complete.

There is also a FEO in place for Emergency Planning, which was made on 2 September 2024 alongside an Undertaking in place for Guildford Supply Interruption, agreed on 17 December 2024. The FEO covers considerations for our capability to plan for and deliver emergency response in line with the SEMD planning threshold of 1.5% of the population within our region; as well as associated emergency plans, support for customers in vulnerable circumstances and reasonable worst case scenario planning, testing and exercising. The Guildford Undertaking then covers asset resilience, communications, vulnerable sites and associated exercises specific to the area.

Statements: Directors' Ring-fencing Certificate under Condition P (continued)

Separately, the Final Determination has been received for the full allocation originally requested in the PR24 enhancement case at £28.9 million. This is to provide Alternative Water Supply to 1.5% of the domestic population, however there is ongoing work to ascertain how this will be delivered to overcome the logistical challenge in deploying such quantities across London during a major supply outage.

As of 31 March 2025 we were required to provide submissions against nine milestones; two for the Physical Security FEO which were completed in February, and all others which were submitted prior to the deadline. Alongside other improvement plans, the legal instruments are tracked by the SEMD Resilience Board and associated governance framework, established in February 2025. SEMD compliance is to be included within the Holistic Compliance Plan.

Asset resilience risk

The Appointee is committed to improving the management of asset resilience risk, to avoid asset failure and to improve its asset health.

Following development of an asset strategy aligned to its long-term vision and design of a new operating model, the Appointee has continued to develop its management systems and enhance its capability. The Appointee is managing its asset risk through investment and higher operating expenditure. In addition, the Appointee is investing in excess of £700 million to address asset performance, integrity and resilience through its London Water Improvement ('LWI') and Water Supply System Resilience Programme ('WSSRP') Conditional Allowances. Both programmes have now been approved by Ofwat and will see the Appointee undertake works including the replacement of 112km of distribution mains and seven large trunk mains in London and major asset resilience improvements at two of its largest water treatment works in London – Coppermills and Hampton.

Linked to the LWI investment additional funding has been provided for £400 million of clean water projects that range from source to tap across London and Thames Valley and the Home Counties. They include investments in areas such as raw water tunnels and aqueducts, water treatment works, trunk mains and customer metering.

The LWI schemes were due to finish by the end of AMP7. However, Ofwat's PR24 FD allowed for £49.2 million to roll over into AMP8. WSSRP is proceeding broadly in line with plan, with the contract for work at Coppermills now in place.

The Appointee completed its assessment of asset health in September 2023. This built on the initial top-down review from April 2023 and introduced more detailed evidence to support and update the assessment. This included the collection, organisation and categorisation of materials, including site-specific information that supports, and in some cases, supersedes the top-down analysis. Within the Appointee's PR24 plan it presented evidence that poor asset health was having a detrimental impact on its performance and in some cases reducing the resilience of its operation. Whilst the methodology it had adopted to quantify the scale of asset health improvement needed was rejected by Ofwat, the Appointee did secure an allowance of £1.3 billion above the base allowances to improve asset health and hence make a step change improvement in performance and/or risk reduction. This is subject to a gated process. Further, Ofwat has commenced an exercise with the industry to review how Asset Health is considered and measured, with a view to amending the relevant models for AMP9.

At the Final Determination further changes were made by Ofwat to the Appointee's asset health improvement submission. First, Ofwat retained its draft determination allowance of £500 million each for water and waste; second, £250 million was also included in the gated allowance, as Ofwat believe that the Appointee may require additional investment to support the level of growth in its region, and third, £49 million was added to complete the LWICA programme that commenced in AMP7, as a AMP7 conditional allowance as noted above. This resulted in a total allowance of £1.3 billion.

The first two items are subject to a 5-stage gated process with approval required by Ofwat for individual asset cohort investment.

Water Quality Regulations

All products used within the process for the treatment or distribution of drinking water must pass two phases of testing and be approved by the Drinking Water Inspectorate, with a timescale of five years between recertification or if there are changes within the product. These requirements are detailed within Regulation 31 of the Drinking Water Regulations. The sole laboratory able to conduct the final part of the testing closed over 24 months ago and since that time no new products have been approved. Three laboratories are currently working their way through the complex accreditation process, it is anticipated that at least one of these laboratories, and in all likelihood two, will be accredited before the end of the calendar year.

In addition to taking all of the above into account, the Directors:

- Procured a report from PwC, as the Appointee's auditor, stating whether they were aware of any inconsistencies between this Ring-fencing Certificate and the financial statements, or any information obtained in the course of their work; see pages 105-110 for PwC's audit report on the Annual Performance Report and the PwC report on the Ring-fencing Certificate which has been provided separately to Ofwat; and
- Undertook reviews and enquiries during 2024/25 of compliance with the Ring-fencing Certificate included in the 2023/24 Annual Performance Report and to identify any new matters arising, assessing the appropriateness of the factors, risk exposure and associated disclosures on an ongoing basis.

Statements: Directors' Ring-fencing Certificate under Condition P (continued)

Therefore, the Directors have resolved that, in their opinion, and subject to the material uncertainties, issues and circumstances disclosed in the list of factors above, the Appointee will have available to it, for the next 12 months, sufficient resources to enable it to carry out and meet its regulatory obligations, as set out in the Company's Instrument of Appointment. The Directors will continue to formally monitor the factors quarterly during the coming 12 months.

Board approval

This certificate was approved unanimously at the Board meeting on 9 July 2025.

Signed by the Board of Thames Water Utilities Limited:

Sir Adrian Montague
Chairman

Chris Weston
Chief Executive Officer

Steve Buck
Chief Financial Officer

Julian Gething
Chief Restructuring Officer

Nick Land
Deputy Chairman and Senior Independent Non-Executive Director

Adam Banks
Independent Non-Executive Director

Aidan de Brunner
Independent Non-Executive Director

Andrew McNaughton
Independent Non-Executive Director

Catherine Lynn
Independent Non-Executive Director

Ian Pearson
Independent Non-Executive Director

Neil Robson
Independent Non-Executive Director

Nirmal Kotecha
Independent Non-Executive Director